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Kaiser Permanente Medical Care Program Oral History Project

Eugene E. Trefethen, Jr.

HISTORY OF THE KAISER PERMANENTE  
MEDICAL CARE PROGRAM

An Interview Conducted By  
Malca Chall  
1985

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Kaiser Permanente Medical Care Program

Interviews to be Completed in 1986

Cecil C. Cutting, M.D.

Frank C. Jones

Raymond M. Kay, M.D.

Clifford H. Keene, M.D.

George E. Link

Ernest W. Seward, M.D.

John G. Smillie, M.D.

Eugene E. Trefethen, Jr.

Avram Yedidia





EUGENE E. TREFETHEN, JR.



Roth's interview, Class  
of 1931 Louis - Germaine  
Berkeley - Feb 7

## Berkeley Benefactor Eugene Trefethen Dies at 86

Eugene E. Trefethen Jr., who guided projects from the Hoover Dam and Bay Bridge to the creation of Haas School of Business, died Jan. 31 at his Napa home. He was 86.

"He was a legendary figure on the Berkeley campus," said Earl Cheit, dean emeritus of the Haas school. "I have never worked with anyone with greater generosity and idealism. More than anyone else, he was responsible for the success of the new building."

Trefethen, who concluded his career with the prestigious Trefethen Vineyards, began it as a sand and gravel laborer for Kaiser's Livermore facility while still a Cal student.

He soon became an assistant to Henry J. Kaiser, working with him on the Hoover Dam and the Bay Bridge. During five decades with Kaiser, he held many management positions and served as president and vice chair of Kaiser Industries Corp.

"Gene Trefethen will be remembered for his untiring service to Cal as an outstanding volunteer whose leadership as a member of the UC Berkeley Foundation Board of Trustees, as well as his involvement in countless fund-raising campaigns, inspired others to emulate his philanthropic spirit," said Chancellor Tien.

Trefethen was Alumnus of the Year in 1979, received the Chancellor's Award in 1981 and in 1989 was awarded the Berkeley Medal.

He is survived by his wife of 60 years, Catherine; his daughter, Carla Jean; his son, John, and four grandchildren. A public memorial service will be held at Grace Cathedral in San Francisco Feb. 29 at 1:30 p.m. ■





February 2, 1996

# Industrialist Eugene Trefethen Jr. dies

ASSOCIATED PRESS

NAPA — Eugene Trefethen Jr., who oversaw the building of the Hoover Dam and the Bay Bridge, then later owned a world-class winery estate, has died.

The 86-year-old philanthropist, who also helped create the Walter A. Haas School of Business at the University of California, Berkeley, died Wednesday at his home following a brief illness.

*Oakland Tribune 2/2/96*

Trefethen began his career in 1926 as a sand-and-gravel laborer with the Kaiser Aluminum & Chemical Corp. In five decades with the company, he worked closely with Henry J. Kaiser on the Hoover Dam and the Bay Bridge and rose to president and vice chairman of Kaiser Industries Corp.

"Trefethen was the financial and managerial genius who turned Henry J. Kaiser's dreams into reality, creating one of the largest industrial forces of the 20th century," said Cornell Maier, retired chairman of the board and chief executive officer of Kaiser.

Gov. Pete Wilson called Trefethen "the eighth wonder of the world."

"Industrialist, philanthropist, master vintner and builder of a great university, of a great private health care system and of dams and bridges that have been compared to the seven wonders of the world — Gene Trefethen was, to the legion of his friends and admirers, the eighth wonder."

Trefethen retired in 1979 and in his later years, tended to the 600-acre Napa Valley estate built in 1886.

His son, John Vance Trefethen, established the Trefethen Winery in 1973 with his wife, Janet Spooner Trefethen. They built it into a well respected winery that now produces 100,000 cases of vintage-dated varietal wines. It won the Best Chardonnay In The World award in the Gault-Millau World Win Olympics in 1979.

"Gene Trefethen, in addition to being a marvelous person, helped all of us develop Napa Valley to world-class status," vintner Robert Mondavi said.

Trefethen also was a philanthropist, who gave generously of his time and money to UC Berkeley, his alma mater, Mills College, the San Francisco Museum of Modern Art and UC San Francisco.



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## PREFACE

### Background of the Oral History Project

The Kaiser Permanente Medical Care Program recently observed its fortieth anniversary. Today, it is the largest, one of the oldest, and certainly the most influential group practice prepayment health plan in the nation. But in 1938, when Henry J. and Edgar F. Kaiser first collaborated with Dr. Sidney Garfield to provide medical care for the construction workers on the Grand Coulee Dam project in eastern Washington, they could scarcely have envisioned that it would attain the size and have the impact on medical care in the United States that it has today.

In an effort to document and preserve the story of Kaiser Permanente's evolution through the recollections of some of its surviving pioneers, men and women who know and remember vividly the plan's origins and formative years, the Board of Directors of Kaiser Foundation Hospitals sponsored this oral history project.

In combination with already available records, the interviews serve to enrich Kaiser Permanente's history for its physicians, employees, and members, and to offer a major resource for research into the history of health care financing and delivery, and some of the forces behind the rapid and sweeping changes now underway in the health care field.

### A Synopsis of Kaiser Permanente History

There have been several milestones in the history of Kaiser Permanente. One could begin in 1933, fifty-three years ago, when young Dr. Sidney Garfield entered fee-for-service practice in the southern California desert and prepared to care for workers building the Metropolitan Water District aqueduct from the Colorado River to Los Angeles. Circumstances soon caused him to develop a prepaid approach to providing quality care in a small, well-designed hospital facility near the construction site.

The Kaisers learned of Dr. Garfield's experience in health care financing and delivery through A. B. Ordway, Henry Kaiser's first employee. When they undertook the Grand Coulee project, the Kaisers persuaded Dr. Garfield to come in 1938 to eastern Washington State, where they were managing a consortium constructing the Grand Coulee Dam. Dr. Garfield, and a handful of young doctors whom he persuaded to join him, established a prepaid health plan at the damsite, one which later included the wives and children of workers, as well as the workers themselves.

A few years later, during World War II, Dr. Garfield and his associates--some of whom had followed him from the Coulee Dam project--continued the health plan, again at the request of the Kaisers, who were now building Liberty Ships in Richmond, California, and on an island in the Columbia River between Vancouver, Washington and Portland, Oregon. They would also produce steel in Fontana, California. Eventually, in hospitals and field stations in the Richmond/Oakland communities, in the Portland, Oregon/Vancouver, Washington areas, and in Fontana, the prepaid health care program served some 200,000 shipyard and steel plant employees and their dependents.

By the time the shipyards shut down in 1945, the medical program had enough successful experience behind it to motivate Dr. Garfield, the Kaisers, and a small group of physicians to carry the health plan beyond the employees of the Kaiser companies and offer it to the community as a whole. The doctors had concluded that this form of prepaid, integrated health care was the ideal way to practice medicine. Experience had already proven the health plan's value in offering quality health care at a reasonable cost in the organization's own medical offices and hospitals. Many former shipyard employees and their families also wanted to continue receiving the same type of health care they had known during the war.

Also important were the zeal and commitment of Henry J. Kaiser and his industry associates who agreed with the doctors about the program's values, and despite the antagonism of fee-for-service medicine, were eager for the success of the venture. Indeed, they hoped it might ultimately be expanded throughout the nation. In September, 1945, The Henry J. Kaiser Company established the Permanente Health Plan, a nonprofit trust, and the medical care program was on its way.

Between 1945 and the mid-1950s, even as membership expanded in California, Oregon, and Washington, serious tensions developed between the doctors and the Kaiser-industry dominated management of the hospitals and health plan. These tensions threatened to tear the Program apart. Reduced to the simplest form, the basic question was who would control the health plan--management or the doctors. Each had a crucial role in the organization. The symbiotic relationship had to be understood and mutually accepted.

From roughly 1955 to 1958, a small group of men representing management and the doctors, after many committee meetings and much heated debate, agreed upon a medical program reorganization, including a management-medical group contract, probably then unique in the history of medicine. Accord was reached because the participants, despite strong disagreements, were dedicated to the concept of prepaid group medical practice on a self-sustained, nonprofit basis.

After several more years of testing on both sides, a strong partnership emerged among the health plan, hospitals, and physician organizations. Resting on mutual trust and a sound fiscal formula, the Program has attained a strong national identity.

## The Oral History Project

In August 1983, the office of Donald Duffy, Vice President, Public and Community Relations for Kaiser Foundation Health Plan and Hospitals, contacted Willa Baum, director of the Regional Oral History Office, about a possible oral history project with twenty to twenty-four pioneers of the Program. A year later the project was underway, funded by Kaiser Foundation Hospitals' Board of Directors.

A project advisory committee, comprised of seven persons with an interest in and knowledge of the organization's history, selected the interviewees and assisted the oral history project as needed. Donald Duffy assumed overall direction and Darlene Basmajian, his assistant, served as liaison with the Regional Oral History Office. Committee members are John Capener, Dr. Cecil Cutting, Donald Duffy, Robert J. Erickson, Scott Fleming, Dr. Paul Lairson, and Walter Palmer.

By year's end, ten pioneers had been selected and had agreed to participate in the project. They are Drs. Cecil Cutting, Sidney Garfield, Raymond Kay, Clifford Keene, Ernest Seward, and John Smillie, and Messrs. Frank Jones, George Link, Eugene Trefethen, Jr., and Avram Yedidia.

Plans to interview Dr. Garfield and Dr. Wallace Neighbor, who had been at Grand Coulee with Dr. Garfield, were sadly disrupted by their deaths, a week apart in late 1984. Fortunately, both men had been previously interviewed. Their tapes and transcripts are on file in the Central Office of the medical care program.

The advisory committee suggested 1970 as the cutoff date for research and documentation, since by that time the pioneering aspects of the organization had been completed. The Program was then expanding into other regions, and was encountering a new set of challenges such as Medicare and competition from other health maintenance organizations.

## Research

Kaiser Permanente staff and the interviewees themselves provided excellent biographical sources on each interviewee as well as published and unpublished material on the history of the Program. The collected papers of Henry J. Kaiser on deposit in The Bancroft Library were also consulted. The oral history project staff collected other Kaiser Permanente publications, and started a file of newspaper articles on current health care topics. Most of this material will be deposited in The Bancroft Library with the oral history volumes. A bibliography is attached.

To gain additional background material for the interviews, the staff talked to four Kaiser Permanente physicians, two of whom had left the program years ago: Drs. Martin Abel, Richard Geist\*, Emphraim Kahn\*, and James Smith\*.

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\*Tapes of these interviews have been deposited in the Microforms Division of The Bancroft Library.

The staff also sought advice from the academic community. James Leiby, a professor in the Department of Social Welfare at UC Berkeley and an advocate of the oral history process, suggested lines of questioning related to his special interest in the administration of and relationships within public and private social agencies. Dr. Philip R. Lee, professor of social medicine and director of the Institute for Health Policy Studies at the University of California Medical School, proposed questions concerning the impact of health maintenance organizations on medical practice in the United States.

### Organization of the Project

The Kaiser Permanente Oral History Project staff, comprised of Malca Chall, Sally Hughes, and Ora Huth, met frequently throughout 1985 to assign the interviews, plan the procedures and the time frame for research, interviewing, and editing, and to set up a master index. Interviews of the first nine pioneers took place between February and June, 1985. During the following months the transcripts of the tapes were edited, reviewed by the interviewees, typed, proofread, indexed, copied, and bound.

Other pioneers who, at the time of this writing, have agreed to participate in the project are: Drs. Morris Collen, Wallace Cook, Alice Friedman, Benjamin Lewis, Sam Packer, Bill Reimers, Harry Shragg, and David Adelson, Lambreth (Handy) Hancock, Berniece Oswald.

The entire series will be completed during 1987.

### Summary

This oral history project traces, from various individual perspectives, the evolution of the Kaiser Permanente Medical Care Program from 1938 to 1970. Each interview begins with a discussion of the individual's family background and education--those tangible and intangible forces that shaped his or her life. The conversation then shifts to the interviewee's actual participation in and observation of the significant events in the development of the health plan. Thus, the reader is treated not only to facts on the history of the Program, but to opinions about the personal qualities of the men and women--doctors, other health care professionals, lawyers, accountants, and businessmen--who, often against great odds, dedicated themselves to the development of a health care system which, without their commitment and skills, might not have resulted in the human and organizational achievement that the Kaiser Permanente Medical Care Program represents today.

The Regional Oral History Office was established to tape record autobiographical interviews with persons who have contributed significantly to recent California history. The office is headed by Willa K. Baum and is under the administrative supervision of James D. Hart, the director of The Bancroft Library.

Malca Chall, Director  
Kaiser Permanente Medical Care Program  
Oral History Project

14 January 1986  
Regional Oral History Office  
Berkeley, California



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## INTERVIEW HISTORY

No history of the Kaiser enterprises could omit Eugene E. Trefethen, Jr. anymore than it could omit their namesake, Henry J. Kaiser, or his son, Edgar. In addition to being closely associated with the Kaiser family and Kaiser Industries all of his adult life, Trefethen played a key role in the development of the Kaiser Permanente Medical Care Program.

The association with Kaiser Industries began in 1926 when, as a close friend and fraternity brother of Edgar Kaiser at UC Berkeley, Oakland born and educated Gene Trefethen met Henry Sr., and began, along with Edgar, to work on holidays and vacations as a laborer in the Kaiser sand and gravel pits. Trefethen had originally planned to study law and join his father's law firm. Instead, after graduation, he attended Harvard Business School and, a year later, joined forces with the Kaisers prepared to participate in the dynamic growth of the Kaiser organization. In 1967, having moved steadily up the corporate ladder, always in close personal and management association with Henry Sr., Trefethen was named president of Kaiser Industries Corporation.

Trefethen established his link with the health plan during World War II when the Kaiser company was building Liberty Ships in Richmond, California. He was given the responsibility for overseeing the plan, a task which he bore until 1980 when he retired as vice-chairman of the Board of Directors of Kaiser Foundation Health Plan and Kaiser Foundation Hospitals. As vice-chairman emeritus and honorary director he still retains close contact with the program.

In 1944 when Garfield and about a dozen doctors wanted to take the health plan into the community at large, Henry Kaiser assigned Eugene Trefethen to help carry out this innovative concept in prepaid medical care. As the plan evolved and its membership grew in California and Oregon, stresses developed between the doctors and Henry Kaiser whose industry personnel dominated health plan management. Trefethen, representing Henry Kaiser, ultimately gained acceptance of a model contract for the Kaiser Permanente Medical Care Program which has stood the test of time, making it possible to expand the program successfully to other regions throughout the United States. He has since been given credit for saving the health plan from what was thought in 1955 to be certain dissolution. In this oral history, Trefethen recounts, from the perspective of one often caught at the time in the middle of opposing forces, the issues at stake, the relationships between physicians and management, and his own facilitation of a successful compromise.

Mr. Trefethen's large, comfortable, and handsomely decorated office suite atop the Kaiser Building in Oakland was the setting for one preliminary conference on February 6, followed by recorded interview sessions on February 22, March 5, and June 12, 1985. An almost life-size painting of Henry and Edgar Kaiser hangs at the entrance to the suite. On the shelves and walls of the sitting room are pictures, plaques, airplane and ship models, and other memorabilia denoting Trefethen's years with the Kaiser organization and its far-flung interests.

Mr. Trefethen talked quietly and thoughtfully of his experiences with the health plan and the people in management and medicine with whom he'd been in contact for so many years. It was difficult to imagine him "pounding out," as he expressed it, the health plan contracts, and tending simultaneously to the many problems which beset both the medical program and the Kaiser companies. Reflecting on the activity and passion of the past brought forth an occasional chuckle, a flash of fervor. Some incidents were forgotten. Busy now with his present venture, Trefethen Vineyards, he looks back upon his achievements and experiences not as a hero but as a manager simply doing the job he was committed to performing. The holder of medical record number 96 put it this way:

It's been a lot of fun. I'm not the guy that's responsible for it. We had an organization around here. Henry had me looking after this thing, and I was very close to him. He was very close to me, and he was on top of me, rest assured, to be sure that I was doing the job.

I was very attached to it, I was very attached to it [the health plan]. Because I knew the people so very well, and I'd been through all the growing pains, and it was a challenge to make it work. I believed that Henry Kaiser's vision as to where this thing could go ultimately was right, and that it was something that was worth working on. I enjoyed it. I enjoyed the challenge, and I enjoyed the relationships involved in it.

Malca Chall  
Interviewer-Editor

29 January 1986  
Regional Oral History Office  
University of California, Berkeley

Regional Oral History Office  
Room 486 The Bancroft Library

University of California  
Berkeley, California 94720

BIOGRAPHICAL INFORMATION

(Please print or write clearly)

Your full name EUGENE EDGAR TREFETHEN, JR.

Date of birth 7/27/1909 Place of birth Oakland, California

Father's full name Eugene Edgar Trefethen

Birthplace Oakland, California

Occupation attorney

Mother's full name Georgia Carroll Trefethen

Birthplace Sacramento, California

Occupation \_\_\_\_\_

Where did you grow up ? Oakland

Present community San Francisco

Education A. B. Political Science, University of California, Berkeley 1930

1 year at Harvard School of Business Administration

Occupation(s) Retired business executive

Special interests or activities please see attached bio sheet

Biography

Eugene E. Trefethen, Jr. is the proprietor of Trefethen Vineyards, Napa, California. He is also retired president of Kaiser Industries Corporation and an honorary director of Kaiser Aluminum & Chemical Corporation, Kaiser Cement Corporation, Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals.

Mr. Trefethen's civic activities include:

Trustee, Past President, University of California Berkeley Foundation  
Trustee, University of California San Francisco Foundation  
Vice President and Chairman of the Executive Committee, Hastings  
College of the Law, Law Center Foundation  
Past Board Member, University of California Santa Cruz Foundation  
Member and Past Chairman of the Advisory Board, University of California  
Business School  
Lifetime Trustee and Past President of Board of Trustees, Mills College  
Lifetime Member and Past Chairman of Board of Trustees, San Francisco  
Museum of Modern Art

He has also served in various capacities with:

Oakland Symphony Orchestra Association  
Stern Grove Festival Association  
United Negro College Fund  
Boy Scouts of America

Awards:

Jefferson Award for high ideals and achievement in public service,  
San Francisco Bay Area recipient, March 1981  
Legal Assistance to the Elderly, for distinguished leadership, March 1981  
University of California Alumni Association, Alumnus of the Year, 1980  
University of California College of Engineering, Honorary Alumnus, 1976  
University of Southern California School of Business Administration,  
annual award for outstanding achievement in business management, 1968.

Mr. Trefethen was born in Oakland on July 27, 1909. He received an A. B. degree in political science from the University of California in 1930 and attended Harvard School of Business Administration. He holds honorary doctorate degrees from the University of Portland, Mills College and Golden Gate University.

Mr. Trefethen married Catherine Morgan in 1937. They have a married son, John Vance Trefethen; a married daughter, Mrs. Carla Jean Saunders; and three grandchildren. The Trefethens reside in San Francisco.

3/20/84

## I FAMILY BACKGROUND AND EDUCATION

[Date of Interview: February 22, 1985]##

Chall: I thought today we could go into your family background. I notice that you have been previously interviewed on some of your background, but not as much as I would like to have.\*

Trefethen: I guess we should start with my birth. I was born in Oakland on July 27, 1909. My father was born in Oakland. My mother was born in Sacramento.

I was the third youngster in a family of four, the first two being girls. I attended the University of California at Berkeley and got a BA degree in political science, and I went on to Harvard Business School for one year. I fully intended to return for the second year when I was persuaded by Henry Kaiser that I should go to work on a pipeline in Deer Lodge, Montana.

Chall: Well, before we go on any further, I'd like a little bit more about your family. Could you tell me something about your mother? You said she was born in Sacramento?

Trefethen: She was born in Sacramento.

Chall: And what kind of background did she have? Where did her family come from originally?

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##This symbol indicates that a tape or a segment of a tape has begun or ended. For a guide to the tapes see page 69.

\* Interview of Eugene E. Trefethen, Jr., by Sheila O'Brien, transcript, 19 February 1982 (Audio-Visual Department, Kaiser Foundation Health Plan), 23-25 (hereafter cited as Trefethen interview).

Trefethen: I believe they were a Sacramento family; the family name was Carroll.

Chall: They'd been a long time, you think, in California and in the United States?

Trefethen: Yes, they had been.

Chall: What were they doing in Sacramento? Were they in agriculture?

Trefethen: I don't recall.

Chall: You don't know your grandparents, your mother's parents?

Trefethen: I knew my grandmother--my father's mother. I never knew my grandfather, but I knew my grandmother. She was very close to the family. She was a Christian Scientist, and I remember my father used to chide her all the time about that. Because he didn't believe in Christian Science.

Chall: Was this a late interest in your grandmother? Had your grandfather been one, too?

Trefethen: No, no. I don't know how she became a Christian Scientist, but she was one. And a very loyal one, and devout one, and believed it. As my father used to say, that if you broke your leg, why, you didn't have to go to a doctor, Christian Science would repair it. She was being kidded by him, of course.

Chall: What kind of background did your father have? He grew up in Oakland?

Trefethen: Yes, he did, and went to the University of California, and he got his law degree there. He was an athlete--he was in track--and was quite a good one. He practiced his law in Oakland all his living life.

Chall: He had a law firm?

Trefethen: The firm name was Chapman and Trefethen. [Melvin C.] Chapman was mayor at one time, of the city of Oakland, and that was the time when they made Lake Merritt. It was a marsh at that time. My father's principal client was the Key System, which was the transit system in existence in those days.

But he also had many others; he was a very successful lawyer. And quite a sportsman. He used to go to all the track events, and the fights down at the auditorium on Friday nights, I believe they were. But he followed sports, and he loved to play poker. He was a marvelous man, that was saddened when my mother died reasonably early in my life.



Chall: How old were you?

Trefethen: I can't remember, but she was fifty when she died, so I must have been around twenty-five, or something like that.

Chall: And then your father lived on for a number of years?

Trefethen: Yes, he did.

Chall: What kind of religious background was there in your family, if your father didn't particularly care for Christian Science?

Trefethen: Well, my father didn't go to church. We went to church, the children went to church for a period of time. We were at the Episcopal church there, St. Paul's. But I remember I finally ended up convincing my mother and father that if I stayed home on Sunday and cut the lawn I didn't have to go to Sunday school, so my association with the church has been rather limited. But I both certainly believe in and I have great faith in my Father in Heaven, and I also like to hear, from time to time, good lectures by the various ministers and priests which I've heard from time to time, gotten to know from time to time.

Chall: The leading exponents of some of the religions?

Trefethen: Yes.

Chall: So, was this your mother's doing that you all went to Sunday school and to church to some extent?

Trefethen: Yes, it was. I had two older sisters, and a younger brother, and they were more faithful about going to Sunday school than I was.

Chall: How old were you when you decided that you would rather do the lawn than go to Sunday school?

Trefethen: Oh, I can't remember that, but I was an early teenager, I think.

Chall: What were the expectations for you, not only as an individual, but as to all the children?

Trefethen: My father was determined that we were to have a first-class education, so all of us went to the University of California [Berkeley], and all of us got degrees there. He had always wanted me to become a lawyer, and although I was very impressed with his profession, and with the opportunities that were involved in it, I ended up meeting Henry Kaiser, through his son, Edgar, when we both pledged the same fraternity out at the University of California. And I became very

Trefethen: attracted to the business world, the business life, and so I ended up going back to the Harvard Business School, rather than to the Harvard Law School, which my father really had dreamed that I would do.

Chall: That was a choice, then, that you made after meeting the Kaisers?

Trefethen: That is correct. My father was a very good sport about it, but he was disappointed because he visualized that I'd come into his firm and carry it on. But he was very happy with my development, as it did develop, and my interests. And was always very sympathetic to my decision not to go into the legal profession.

Chall: What about your brother? Did your brother go into the law firm?

Trefethen: No, he worked for us in the Kaiser organization. He was younger than I, but he was in the securities business; he worked for Shuman Agnew, and then Morgan Stanley. He was a retiree working part time for Morgan Stanley when he died, which was about two years ago.

He was successful in his business; he married twice. He lost his first wife to rather an early death; had two youngsters. Then, subsequently he married someone who had been divorced and who had a number of kids, so they had a very, very happy married life.

Chall: Big family.

Trefethen: And it went along until he died, and he died too soon in life.

Chall: How about your sisters? They did get their education in college. Was anything expected of them, in those days, to take on any kind of career, or was it a matter of a sound education only?

Trefethen: No, my oldest sister never did marry, and she's alive, and she travels an awful lot now, all over the world. She worked for quite a few years in a dental office; many, many years. She was a dental secretary, and she has many, many friends. My other sister was married. Let me see, there were one, two, three, girls, and that's that, no boys. They've all done very well. And it's been a very happy marriage for both my sister, Dorothy, and her husband, Ned [Dodds].

Chall: What is your older sister's name?

Trefthen: Carol, C-A-R-O-L.

Chall: And you other sister's Dorothy. Did you all stay in Oakland?

Trefethen: We all stayed in Oakland.

Chall: Until recently, you have also lived in Oakland?

Trefethen: That's correct. I went to San Francisco when I retired, which is ten years ago.

Chall: So, Oakland has really been your home.

Trefethen: Oh, yes. And I, of course, went to work for the Kaiser organization with headquarters over here. I've only had one job in my life, and that has been with them.

Chall: I want to finish some background on your schools, now, and then we'll go into the Kaiser period. Which schools in Oakland did you attend?

Trefethen: The University High School, and the Lakeview Grammar School.

Chall: Where was your home?

Trefethen: I lived on 291 Jayne Avenue.

## II THE KAISER FAMILY AND KAISER INDUSTRIES

Chall: Now, as a result of your meeting Edgar Kaiser, you met Henry J.. What's the name of the fraternity that you both joined?

Trefethen: Chi Psi.

Chall: You decided to work for the Kaiser family. What were your early impressions of the Kaisers? What attracted you to Edgar, for example?

Trefethen: Well, we had never met before the time that we actually did meet one another when we pledged in the same fraternity. We seemed to hit it off very well together, and we did a lot of things together. I met his father the day that we celebrated our being pledged to the fraternity.

His father came to the fraternity for lunch to meet all the boys, and that's when I first met him. After that, why, every vacation period I worked for the Kaiser organization, whether it was at Christmas vacation, or Easter vacation, or Saturdays, and summer vacations. He was a great worker, he believed in work, and he believed in young men getting started early. He was a very stimulating man to be with, and everything was fun.

So, we worked as laborers in a sand gravel pit at one of the shops we had out in Livermore. I used to drive him from time to time. He did a lot of traveling those days, much of it was in an automobile, and I used to drive him.

Edgar Kaiser did not finish college. He left to go to work for his father, because there was a pipeline up in Montana that his father got, and there was an opportunity for a young man to go up there and get started, and take on the managership. By that time he had trained us how to run things. So, Edgar left college, and did not finish, and went up to Deer Lodge, Montana.

Trefethen: When I came back after finishing my first year at Harvard Business School, I came home via Deer Lodge, Montana; went over the project with Edgar Kaiser, and then came home. As I was coming in the door, the phone was ringing, and Henry Kaiser was on the line, and wanted to know what I was going to do. I said, "Why, I don't know, I just got here, I'm on vacation." Well, I don't think he understood how to spell vacation let alone pronounce it.

So, I was on the next train back to Deer Lodge, going to work up there with Edgar, and I never did return to Harvard. I never really regretted that, because I think my experience then and since then, has been that the first year is the most important year in the graduate school of business. So I thought I was learning more by working, and I did. I went from Deer Lodge, Montana, to Boulder Dam, while we were building Boulder Dam.

Chall: Was there not another son in the Kaiser family, Henry, Jr.?

Trefethen: Yes, Henry Jr. was a younger son; he developed multiple sclerosis early in his life.

Chall: Ah, I see.

Trefethen: He never could quite measure up to what he aspired for, because of his health, and plus the fact, being the second son, unfortunately, he didn't get the same kind of attention that the first son got from his father. But he did go to college, and he did get his degree, and he worked for us, particularly during the war years, when we had him in charge of the shell plant, where we were building shells for the government.

Then he worked at our steel company towards the tail end of the war, and then after the war. And then we put him in public relations and he did quite a good job with that. He did not have a happy marriage; he had an unhappy marriage. It finally ended in divorce. Then he got married again and he had one youngster, who is alive, and who we seldom, if ever, see. Has no connection with the Kaiser organization at all.

Chall: So the other Henry Kaiser that is in the organization is Edgar's son?

Trefethen: Yes, that's Edgar's son, and his name is Henry Mead Kaiser, Mead being the family name of Edgar Kaiser's wife. [Elwood] Mead was a commissioner of reclamation. He did a lot of work in the construction business for the Bureau of Reclamation, and that's how Edgar met his first wife, Sue.

Chall: When did Henry, Jr. come down with multiple sclerosis? It's a long, slow disease.

- Trefethen: He had it for about fifteen years. He traced it back to getting some numbness in his toes, and things like that. I don't quite recall precisely, but he had it for fifteen years before he finally died.
- Chall: So that during the war, and when he was in the shell plant and some of the other major industries, he wasn't suffering any physical impairment at the time?
- Trefethen: No, he wasn't suffering, but he knew afterwards that he was beginning to be affected.
- Chall: I think Henry J. Kaiser would have been a very hard act to follow for anybody. It's not surprising that his younger son found him a hard act to follow. How about Edgar? Was there a reason why so much attention was showered on Edgar, aside from the fact that he was number one? Was there some special personality that developed in Edgar?
- Trefethen: Edgar was a very personable man. He was my best friend for years. Our families were very close. His family was very close with his father's and mother's family. He loved to work, and he was a capable leader. But one thing about following a famous father: I saw Edgar so many times praising his father, which is fine to do, but in a way he was saying, "There's nobody can be like my Dad." So he wasn't as aggressive as his father was. His father was alive, of course, all during Edgar's early business life, and he was giving all the credit, for what he and the rest of us were doing, to his father. His father was in the press quite a bit. His father always used to say, it was the young men that were doing all the work, and we were. We worked very, very hard, and there was a whole group of us that ended up running these businesses at an early age in life, relatively speaking.
- Mr. Kaiser, Sr., believed in giving young men responsibility, and authority to go along with it. He would say he wanted to throw them into cold water, and let them sink or swim.
- Chall: That's really quite an unusual characteristic in a person. A self-made man, anyway. I know he kept his hands right on top of it all, but still he did let you all go out there and--
- Trefethen: Yes, he was a great follow-through man. He'd call us any time of the night or the day, didn't make any difference what the hour was, he'd call us. And we had a lot of fun with that, because he would always say, "Oh, did I wake you?"

He didn't need but about four hours of sleep, and the rest of us seemed to need more than that, or at least we tried to get more than we did. But Edgar really never did build the organization

Trefethen: like his father built it. The gross result was that although Edgar was really the titular head of the organization, when his father was phasing out, he really wasn't running it. The person that was really running the organization was myself. All of the heads of all of the companies reported to me.

I really reported to Henry Kaiser. I kept Edgar Kaiser fully informed of what was going on. But I was the one that was really actually operating the businesses. All of the manufacturing businesses were started by myself, with Henry, of course. That's aluminum, cement, and steel. Edgar concentrated on the construction business, which went from one job to another. He did very well with it. He did about half of our shipbuilding effort during the war, and Clay Bedford did the other half of our shipbuilding effort during the war.

I was with Henry all during the war period--wherever he went, doing whatever he was doing, and also during the postwar period when we were adjusting. Edgar went from the engineering and construction activities to the automobile business, back in Willow Run. My contact there was one of just following the operation, with his father Henry. We spent a lot of time back there; we were on the board. But Edgar was running that.

It got in trouble, and then we had to get it out of trouble, and we got it out of trouble. I remember I went back there and stayed for two years.

Chall: Oh, did you?

Trefethen: We decided the way to keep from going into bankruptcy was to continue the business, and so we had the idea of buying the Willys Jeep business. We bought the Willys Jeep business, the two of us--Edgar and I together did it, from its owners, and then we phased out the passenger car business, and built up the Jeep business. By doing that, we kept in business, and avoided the bankruptcy. It was an easy way out because it was a separate company; it wouldn't have affected our overall business. And it was very successful. We finally ended up selling the Jeep businesses to American Motors, and subsequently sold our stock in American Motors.

Our entire automotive experiences ended up profitably for Kaiser Industry, although most people feel that we failed in the passenger car business. Again, that's not right either because we invested the tooling and some of our cars down in the Argentine, and Brazil, and set up the first major auto companies in both of those countries, both of which were very successful. We sold going businesses, one to the French, and the other to the Ford Motor Company.

Chall: That's interesting. One can't necessarily fault Edgar, or anyone else, for what might have happened with the Kaiser automobile.

Trefethen: No.

Chall: Maybe the time wasn't right.

Trefethen: Well, as we looked back on it, we raised a lot of money to go into that business. We thought when we raised it--it was \$100 million--that was a lot of money. That was a lot of money in those days. But we've always looked back on it and said that we should have raised \$200 million and then, with the \$200 million we should have set up our own outlets to control our distribution. Because, when the going got tough, General Motors, Ford, and Chrysler, stole our dealers, because they had the strength and the reputation. So, our distribution was very difficult to build in a strong way. We lost a lot of dealers from time to time when they got a better offer from somebody else.

So, to do it over again, if we had had the opportunity, we would have raised \$200 million, which you could have at the time, and we would have had our own outlets, so the chances are we would have succeeded.

Chall: Well, that's what you learn by doing. Now, all those years that you were working closely with Henry Kaiser and Edgar had specific jobs to do, was he aware of the fact that you might have been, to some degree, taking on his father's role? Did that bother him?

Trefethen: He must have been; he was aware. But he wasn't troubled with that. He knew that the organization was reporting to me, and that they were really my people. I guess in the quiet of the night it used to bother him. From time to time we used to have a squabble or two, but we had basically a long-term relationship that held together. So, I've always thought that he wasn't as happy in the business as I was. He worked very, very hard, and I worked very, very hard.

Chall: And even when he took over, after his father died, had title, you were still running--

Trefethen: These people were still responsible to me. Then I retired. I set up a mandatory retirement program.

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Trefethen: I believed in it, because I believe that the young people should be encouraged to grow and do everything in their power to progress. Certainly if they knew that the top people were going to be leaving at age sixty-five, that gave them an extra incentive. Edgar didn't believe in that, so he stayed on beyond sixty-five, and I stayed on as an honorary director of all the companies. He was one year older than I was. By that time, why, all these businesses were established, and were strong, independent companies.



Trefethen: Then we decided, as a policy decision--I was part of the decision--that we would liquidate Kaiser Industries, which as the parent company--it was a parent company and an operating company at the same time--because the stock of the company was selling at a very substantial discount from its breakup value.

So, we decided to liquidate Kaiser Industries voluntarily, which meant selling all of its operating units to unrelated purchasers and distributing the net proceeds and Kaiser Industries' stock holdings in Kaiser Aluminum, Kaiser Steel, and Kaiser Cement to the Industries' shareholders. The largest shareholder of Industries was the Henry J. Kaiser Family Foundation, so through the liquidation it became the largest single shareholder in the other three publicly owned Kaiser companies.

They had been operating independently, and with independent boards, so that the transition was not a difficult one. Well, then Edgar got sick, and he was sick for quite a few years. They were difficult years because we were going through this liquidation, and at that time, everybody was hopeful that one of the sons would emerge.

Chall: One of Edgar's?

Trefethen: Yes, but things didn't work out that way. Edgar was sick and made some decisions that turned out to have been inappropriate. Edgar, Jr. and Henry Mead both had opportunities to make their way in management positions, but although both worked hard at it, neither developed the consistent support and following required to make it in our closely knit organizations. Both of them went on to pursue other careers independent from the Kaiser Companies.

Edgar, Jr. became chairman of the family foundation, which later sold all of its holdings in Kaiser Aluminum, Steel and Cement. Henry Mead and Edgar's youngest son Kim both serve on the family foundation's board of trustees, and Henry Mead is on the Health Plan and Hospitals boards. Kim never was interested in entering any of the businesses. He was a fighter pilot and flight instructor in the navy, and then became a commercial airline pilot, which he is today, living in Seattle. Henry Mead decided to pursue his own business interests, and has been involved in real estate, insurance and venture capital activities.

Chall: It's not unusual that what one person has built up at a certain period of time, which is just right for him and the business climate of the time, to find that the family cannot carry it on, for whatever many reasons there might be.

Trefethen: It's too bad, but it was that way. I did have a person in mind to carry on after me, but Edgar did not approve.

Chall: Who would have been that person?

Trefethen: Well, I'd rather not mention his name.

Chall: All right. But you did have somebody in mind?

Trefethen: Oh, yes, oh yes. Yes. He's still with us. It might have had some difference in our decision to liquidate, probably would have had some difference. But young Edgar, when he was running the steel company, did some things that were irreversible, and so the result was that we did have some things happen that, had there been another leader at the top, probably wouldn't have happened.

But, on the other hand, I must say that the liquidation of Kaiser Industries was very good for the shareholders of Kaiser Industries. They ended up getting a very substantial premium, and that was a voluntary liquidation. You see that going on today involuntarily, where you see all these corporations being taken over. Attempts, some of them successful, to take them over, to break them up, to get greater values out of them than their value is, as reflected in the stock market.

That's a sort of a fact of life, I guess. If you have a holding corporation owning stock in subsidiary corporations, the stock of the holding company will sell at a discount so that the holding company can liquidate at prices that in the aggregate would substantially exceed the stock value of the holding company. That's the way it is, and so we decided that that was in the best interest of the shareholders which was primarily the family, in those days. So that's what we did.

Trefethen: Of course, we decided to stay in the aluminum business, and stay in the cement business, and stay in the steel business, but then we got into trouble in the steel business because of the foreign competition from the Japanese. We decided we'd put a lot of money in it, and we did; we put \$250 million in it.

But that didn't do the trick. We didn't have all the money necessary to fully become competitive, so then somebody from the outside got the idea that they could buy Kaiser Steel and break it up and get more money for it than its shares were selling for in total. And they did. So we sold Kaiser Steel. The cement company's intact, and the aluminum company's intact.

I've been on those boards ever since the beginning. I'm an honorary director, but I go to all the meetings, and they provide me with an office and a secretary. I do things, some things directly for them, but mostly I'm working in the community.

Chall: Was there ever a policy, spoken or unspoken, about Kaiser people working in the community? Was that kind of a philosophy? I know you did, Edgar Kaiser certainly did, too. And there are many others from the industries.

Trefethen: Edgar started it. He liked that. And he spent a lot of time on that. He had a lot of time to spend on it, so he did spend a lot of time on it, and did a very good job in the community. He was the chairman of the Bay Area Council, and he kept the [Oakland] Symphony alive around here for years on end.

Then I worked on the museum, and raised a hunk of money for them, the Oakland Museum; then we branched. He was the head of the Bay Area Council, and then I became head, oh, a number of years after he was the head.

Chall: That's a businessmen's organization, really.

Trefethen: Yes, but we always worked with the United Crusade, or some special fund that was being raised. We always considered that was a part of our corporate responsibility, but also we sort of liked it, because it provided nice associations, particularly in education; the University of California, and Mills College, where I was very active, and still am.

But that was something that we all felt was part of our corporate duty in the community, particularly with the size of Oakland, with its problems, and not very many people around to do anything about it.

- Chall: Well, I guess we've touched on the Kaiser family. We didn't really talk very much yet about Mrs. Henry Kaiser, Bessie. You might give me just a little clue about her, and then we'll go into the health plan, which is our real project here.
- Trefethen: Bessie was a lovely woman. And Henry Kaiser depended on her very heavily; he never made a business decision, he never made a decision about a partner or about a person in the organization, before obtaining her judgment and clearance.
- Chall: Is that so?
- Trefethen: He'd come home at night and he'd tell her everything that went on, and each in great detail during the day.
- Chall: Patient woman. Was she pretty acute about understanding what she was hearing?
- Trefethen: She had very good judgment. Very, very good judgment. Particularly about people. I was very close to Bessie. She liked to go to the horse races, and I'd take her to the horse races.
- She was active in the Women's Athletic Club here in Oakland for quite a while. And she'd travel wherever Henry Kaiser would travel. She was just a very fine, wonderful lady.
- She was heavy, too heavy, and he was too heavy, but she loved good food, you know, and she was a good cook herself. She died, oh my gosh, when did she die?
- Chall: Must have been in the fifties.\*
- Trefethen: Yes, and then the nurse that was taking care of her, who was the head nurse down at our Kaiser-Permanente, Ale [Alyce Chester] married Henry Kaiser right after that. Bessie liked Ale [pronounced like alley] very much. She was a marvelous nurse. Knew how to take care of people, and was right on top of her job all the time. So, she liked her, and probably sensed that Henry Sr. was fond of Ale, you know, when she was ailing. But nothing was ever said about it. But anyway she died. It took quite a while, for that to happen. It was sad.
- Chall: Was Ale also a good wife, and was she as perceptive in the same way as Bessie?

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\*Bess Kaiser died in 1951 of Chronic Nephritis.

Trefethen: Oh, yes, she was a very good wife for Henry, and took care of him very carefully. They moved to Hawaii right after that, and of course she wanted to do that, and it was probably a good thing, although Henry Sr. hated the tropical weather, you know. But he got over that, and he loved it out there because he got a lot of freedom there by that time. He could do things he wanted to do without talking to half of the vice-presidents.

Chall: He certainly did.

Trefethen: And Ale was very helpful to him out there. They made a lot of friends in Hawaii, and they had a lot of fun building. They got us into the broadcasting business, which turned into a very profitable business for the Kaiser companies. Got us into the hotel business, and we got out of that, but made a very handsome profit in the process. They got us into the real estate business in a big way, because they developed the Hawaii Kai, and based upon that we had the people, so one of our businesses today in Kaiser Aluminum is the real estate business.

That started out there. We had to liquidate the broadcasting business as a part of the liquidation of Kaiser Industries, but that had proven to be a very successful business, and we had a wonderful man running that, Dick Block. It was sold at a handsome price, but if we owned it today it would be worth so many times what we had hoped for.

Chall: One doesn't like to look back that way.

Trefethen: No. But anyway, those things developed out of Hawaii. Of course we had a cement operation out there before Henry Kaiser went there. But he helped with the development of that, and we built a cement plant while he was there.

Chall: The health plan was developed.

Trefethen: The health plan was developed. That was a struggle because we lost money for five years.

Chall: Yes. We'll go into that one, later.

Trefethen: But he was determined, and Ale worked like the dickens on that, too. Sid Garfield worked like the dickens on it, because it was a drain, and needed attention. But it was an important phase in the development of our health plan, there's no doubt about that.

### III THE EARLY YEARS OF THE KAISER PERMANENTE MEDICAL CARE PROGRAM

#### World War II, 1942-1945

Chall: All right. Now we will start on the health plan. I wasn't sure to what extent you had much contact with the Grand Coulee operation. I know that you were busy with the other facets of the business.

Trefethen: I didn't have very much contact with that at all, other than to just generally know what was going on, and the same thing first with the Bonneville operation and the Coulee operation. I did get involved in the health plan during the shipyard days.

Chall: Okay. That's where we'll take up your story then. There are people we're going to be coming across quite a bit. We've got a little piece of a profile on Henry Kaiser and on Edgar, mainly Henry. What comes to your mind when you think about Sidney Garfield? Since he played such a prominent part in this entire medical plan over the years, and you were so closely associated with that, what comes to mind?

Trefethen: Sidney was a fun guy to be around. Warm, personal fellow. If you had anything wrong with you, why, he'd stay with you all night, or anything. He was a wonderful doctor, a personal doctor. Very filled with compassion and certainly devoted to the principles of our health plan that he really founded. And he had a lot of friends in the organization, there's no doubt about it. It was his organization. And he had a lot of friends in our organization. Edgar was fond of him, and I was fond of him, and Henry was fond of him, and everybody got along very well.

He was a friend, and we were just happy to have him around, and it was a fascinating thought that he had, and it was working, beginning to work, on a small scale. Then some people like Paul de Kruif got involved and interested in it. De Kruif wrote a lot of books, and he was quite a stimulating guy to be around. So we talked about the

Trefethen: philosophy of the type of thing we were doing, and the opposition, and how to combat the opposition, and how to develop this thing over a period of time to get its full potential, which seemed to be boundless.

Chall: When you were interviewed at one time, by Sheila O'Brien, you said that Garfield was, "...a strange, strange guy in many respects, but he is a creator. He was very close to Henry Kaiser; Henry Kaiser inspired him to keep up ahead with his thinking, to look forward all the time on research, and all these things."\* In what way did you consider him strange? Did you at that time, or only when you looked back?

Trefethen: I had a host of friends who were doctors, M.D.'s, and we used to talk about Garfield and they couldn't understand him; they thought he was off base and ridiculous, that his ideas were revolutionary, would fail, and so forth, and so on. The first part I've covered with you. Then as the thing got big, that's when we started running into difficulty with Garfield. All three of us ran into trouble with Garfield.

Chall: Yes. In those earlier days, though, you just found him to be an interesting, fun, creative, young man?

Trefethen: Oh, yes. We liked to be with him at night, socially, and we liked to travel with him, and we loved to hear what he was thinking about doing, and what he was doing. He was one of the people running it until--well, he was the person running it.

Chall: He certainly was. Was he in some ways as creative, innovative, as Henry Kaiser? Were they both highly creative people who could bounce ideas out and get them moving?

Trefethen: Yes, they would talk by the hours about medicine, and Henry Kaiser was always interested in it, the approaches to health care. Of course, the emphasis wasn't on it in those days that is now on it. But Henry Kaiser always felt that Sidney's creative ideas were something that should be developed fully.

Chall: He was another one of those young men that he let out on his own to see what he'd come up with?

Trefethen: That's correct. So, he was fascinated by his accomplishment. Sidney was a dreamer and Henry Kaiser was a dreamer, so they dreamed together. And well, you know, Henry Kaiser's dreams about what could be done, and Sidney's dreams about what could be done with the health plan have come true.

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\* Trefethen interview, 19 February 1982; 22.

Chall: Certainly did.

Trefethen: It's an unbelievable organization, and it's growing and growing and growing and growing, and Henry Kaiser visualized that it would do that, used to talk about it, and it's happened. It's too bad he's not here to see it's happening, and with the tremendous strides that it's making now.

But I doubt if the program would have survived with Garfield running it. He was an innovator, not a manager. It grew too big for him to manage, and we had some serious disagreements with him before he accepted the inevitable and stepped aside. During that period, he also lost the support of some of the leading Permanente doctors because they were concerned about domination by Henry Kaiser, and they believed that Sid caved in too easily when Mr. Kaiser wanted to do something.

Chall: Paul de Kruif, in describing Garfield would use such terms as, a cool business man, as, inscrutable, enigmatic, young man of mystery, elegant, in finely tailored clothes.\* Do you see that when you think of Dr. Garfield as a young man?

Trefethen: Well, he always had interesting clothes. He had them made specially. Down in Los Angeles he had some people. And he used to give gifts, very unusual gifts at Christmas time, and he had them made up with your initials on them, and things like that. What else did he say about him?

Chall: Oh, he was inscrutable, enigmatic.

Trefethen: Yes.

Chall: What was inscrutable about him? Closed mouth? He was not a great talker, or what?

Trefethen: Well--[chuckles]

Chall: [laughs] Inscrutable?

Trefethen: How do you define inscrutable?

Chall: Enigmatic, young man of mystery.

Trefethen: Sometimes it would be very difficult to follow what he was really saying to you, you know. And he would sort of talk under his breath, and you'd have to say, "Now, Sidney, just what are you talking about?" He always felt that people were after him, so he would be defending himself, and he became very critical of people, other people.

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\*Paul de Kruif, Life Among the Doctors (New York: Harcourt, Brace, and Company, 1949), Chapter XIII passim.



Chall: Is that later on?

Trefethen: He was always that way. He always knew that the profession was against him, and in spite of that he kept pushing on; it affected his personality, you see, the fact that he knew that he had a lot of opposition. And the pride of not getting accepted for what he was doing from his peer doctors in the community; it was a problem for him. He'd get mad at them, and that wouldn't do any good. He just had to learn that the way to do what he was doing was to just keep his eye on the ball of developing a health plan, and developing the people to build it and run it.

He was able to do that. He had a very small group of doctors, who really helped him build it. Morrie Collen, and Cecil Cutting, and Monte Baritell, and Wallie Neighbor. Every now and then, he would run into a problem with one of them. He ran into a problem with Ernie Seward.

They had different views, along the same track, really. He used to get peeved, and upset, about differences of opinion within the organization. And he was very unhappy when he couldn't have his own way. He was sort of a baby about it. So that's why he was sort of strange, you know. When he and Henry would get into a conversation that ended up where they were both leaving the room; they wouldn't talk to one another any longer. Well, again, it's an indication that he would irritate Henry at times. Just make him madder than hell, because he was so stubborn and he wouldn't listen to anybody else on something that he felt he knew more about than anybody else in the world.

Chall: I see. De Kruif also said--of course this isn't borne out by some of the material that I've found--that Garfield, in all of the six years--he's talking from '42 to '48, that's during the war years and right after--that he took not a penny in salary, he lived on his own capital.\* I saw letters and memoranda in the Kaiser papers, that indicated that he had a drawing account; he was the proprietor of the organization, but he did draw what in those days would be considered a fairly good account. You had a contract with him.\*\*

Trefethen: Oh, yes. Henry Kaiser always believed in compensating his people adequately.

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\* De Kruif, Life Among the Doctors, 388, 405.

\*\*E.E. Trefethen, Jr. to Sidney G. Garfield M.D., 1 November 1943, Henry J. Kaiser Papers, Series 2, Carton 22, The Bancroft Library, University of California, Berkeley (hereafter cited as TBL)

Chall: How do you think that de Kruif would make a statement like that?

Trefethen: I can tell you why that was. This is what would make Henry Kaiser so mad when Sidney wanted to do something that Henry didn't want him to do, because he [Henry] didn't believe it was the right thing to do, not because of the money that was involved. Sidney would always say to Henry, "Then I'll go do it myself, personally," and that really made Henry Sr. mad, because that wasn't the point. Sidney had a few dollars, not many, but a few to spend, and he didn't spend an awful lot of money, personally, except on his clothes.

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Trefethen: The shipyards. That was the big period with the health plan. The war period. Edgar was in charge of the shipyards and health plan up north [Vancouver, Washington], and I had more to do with the ones down here. They really were under Clay Bedford, too, because they were his people that were being treated. We had so many problems with that, with building to care for the masses that we took care of. We used to say, we hired everybody that came that was warm. So they were in all kinds of ill health and everything else, the people that we would have to hire, because we used the manpower that we could get. So there was a lot of designing and building of hospitals and facilities, and taking care of people, and recruiting doctors. It was a very, very difficult task, and we were also taking care of their families.

At that time we had not so many people picking on us, because we were providing a service that couldn't be provided any other way. And so the four years were trying. We worked hard together, and I worked very hard with Sidney and all of his people on the health plan down here, and Edgar took care of it up there in the northwest. Edgar had Ernie Seward as sort of the head doctor up there, so I had more contact with Sidney down here about the overall thing.

Chall: I went through some files in the Kaiser cartons in The Bancroft Library and saw some material on just one facet of that problem that you had, and that's with respect to building on to the Fabiola Hospital, the Oakland Hospital. The cables, the letters, the memoranda, are, of course, just voluminous. It probably took a whole year, at least, before you finally got approval from the federal government. If you want to, you can just leaf through these copies. They're in order of date, and there isn't a full set of all the correspondence, but it will give you an idea, help you perhaps to recollect what you were going through.

*The Permanente Foundation Hospital*

The first Kaiser Foundation Hospital. Oakland, mid 1940s.



The hospital (above) incorporated the most modern design features of the time. Forty-five persons could be accommodated, and in an emergency fifteen to twenty more could be handled.



At left--As it was. This view shows the hospital before construction was started on April 8, 1942. It was a unit of the old Fabiola Hospital, an institution founded in 1887 and which continued to serve humanity until 1932--a total of fifty-five years.



- Chall: That indicates some real problems, and I think it has to do not just with getting clearance from the federal government because you were going to be using wood and steel and other metals, but because there was, initially, hostility from the medical profession. They ultimately claimed they really didn't have any opposition.\* You finally got the go ahead. I was just wondering to what extent Henry Kaiser got in there and started to make the project move?
- Trefethen: Well, he was in the background all the time. [looking at the papers]
- Chall: Do you think some of those barriers were set up deliberately?
- Trefethen: Oh, yes, I think there was a lot of animosity. There was, headed by [Morris] Fishbein, that was quite open, against what we were doing. But because there was a tremendous need to do this thing, we were successful in spite of the opposition, and all of the problems and obstacles that people would put in our way. But it was hard work, and it took a lot of patience and determination and follow through, and a lot of work in Washington.
- Chall: Did you go back to Washington?
- Trefethen: Oh, yes.
- Chall: I notice there are several people involved. I think there's an admiral.
- Trefethen: Admiral Vickery.
- Chall: Yes. There's C.E. Wilson mentioned--probably Charles, head of the War Production Board.
- Trefethen: Admiral Land, chairman of the Maritime Commission, was involved in it because we were, of course, working for the government, actually.
- Chall: Everybody seemed to have a hand in that. Mr. [Murray] Brookman and others from various agencies in and out of government.
- Trefethen: Jerry Seale, I can't remember him. His name is very familiar.

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\*Correspondence between E.E. Trefethen, Jr., Henry J. Kaiser, Sr., Murray Brookman and others relating to construction of an addition to the Permanente Foundation Hospital in Oakland, May to November 1943, Henry J. Kaiser Papers, Series 2, Carton 22, TBL. See Appendix, page 70.

- Chall: Now, in addition to all of the other work that you were doing, you seem to have had to be in charge on this matter. Did you have somebody in your office who took on some of this responsibility?
- Trefethen: No, I really worked through Sidney and his organization, in those days, but then when we finally split it up, why, then yes, those people worked directly for me.
- Chall: I'm thinking now about the war years. I'm thinking just about this building problem where every few days either you're getting a memorandum or you're sending one out, or you're getting a cable, and you're sending out an answer. The war was going on, there were other rather important problems here, and this was something off to the side, as it were, which created a lot of problems.
- Trefethen: Yes, of course, it wasn't my biggest problem during the war, but it was a problem. We were building ships, and building steel plants, and building aluminum or magnesium plants, and we were going a mile a minute.
- Chall: With the health plan, now, with this whole problem of taking care of the workers, that was an important facet of Henry Kaiser's organization.
- Trefethen: Yes, he wanted to do that.
- Chall: He wanted to do it? And so you had to do it. Did it give you any insight that you might not have had before, into the problems of developing a medical practice? Working with doctors, working with the government in aspects that you hadn't considered before?
- Trefethen: Well, we found out that doctors were very difficult to work with, more difficult to work with than labor unions. We found out that when you're taking care of the masses, why, you've got a real problem. You've got a public relations problem that has to do with your taking care of people's bodies and families, and the great care that you have to take in treating those people, meeting them--to hire the right kind of people; to train them to be assistants, to be nurses, to be appointment clerks--all these things.
- We found out an awful lot in a hurry, that to run a thing of this magnitude was a big organization job.
- Chall: But at that time, during the war, Dr. Garfield actually was running it. You were trying to aid him, to get this hospital built, and I suppose there were other things of this kind. Did that give you some knowledge that you hadn't been aware of, of the hostility of organized medicine that permeated right through the government?

Trefethen: Oh, yes. Because Henry picked that up, and when Henry picked it up, why, I was with him. He had all the problems in deciding what to do about the opposition that was going on. How do we combat it? He'd hit it head on, and then he wouldn't hit it head on. But we knew that we had a major problem to solve, and that was a public relations one.

We knew we had a product, we knew we had a product in this health plan. And we knew that we had a great treasure, really, in Sidney, and the people that he had developed who believed in the plan, who were working at it. But we did find out that it was a very difficult thing to manage, a very difficult thing to manage. And we did find out that Sidney could not manage it, that it was just too big for him, and that he couldn't build the people to run it. We learned that during the war, which was one of the reasons why we ended up with the form of organization that we ended up with.

Chall: Soon afterwards, that's right.

Trefethen: We determined that his running this thing financially would not work, that it was too big for that, and that we'd have to devise something different in order to make this thing work. So, we did find a lot of things out during that war period, where we had to get this job done. We had to take care of these people, and we had to do it now, and we had this opposition. So we found out. As I say, we learned a lot from that that helped us build the final set up that really worked.

Chall: When you say "financially," what do you mean by that?

Trefethen: Well, we used to do it all through Garfield, you know.

Chall: I see, on a contract basis.

Trefethen: Contract basis. And keep track of the funds. Oh, everything was a problem. And Sidney always was difficult to handle. You know, a wonderful guy as a friend, but when you'd get into a problem with Sidney, why, he was stubborn, and he was difficult to convince, and he wouldn't listen to you. He'd get mad. He'd get red-faced. That would complicate working out the problem. [laughs]

So I think we did learn an awful lot during the war effort that helped us shape the form of the organization and understand how it should be run permanently, as it is now run today.

[Interview 2, March 5, 1985] ##

Chall: I have been relying for background very largely on the material that Mr. [Scott] Fleming wrote,\* that Dr. [Raymond] Kay wrote,\*\* and that Dr. [John] Smillie is now writing.\*\*\*

Trefethen: Oh, Smillie. I saw his write-up, and have a copy of his interview with me, and it was so far from what I said. He wanted me to correct it, and I said I could not correct it; I would have to rewrite the whole thing.

Chall: Did he interview you on tape?

Trefethen: No.

Chall: It was an interview that he took by notes. Well, we're taping so that the transcript should be accurate. So, it will be easier for you to review.

There is a great deal of information available about the early days of the Kaiser Permanente Health Plan. I don't know whether you want to go into all that in great detail since much of it is already on the record, but we'll see today how much we want to cover. If we want to go through more of it, we will at another time. This is the chronology which Dr. Smillie has prepared for the draft of his book. I think we'll utilize it. [hands copy of the chronology to Mr. Trefethen] You can take a look at this if you want to.

Trefethen: [looks through chronology] I presume this is reasonably accurate.

Chall: Yes.

Trefethen: I wouldn't have any way of checking it.

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\* Scott Fleming, "Evolution of the Kaiser Permanente Medical Care Program: Historical Overview" (Oakland: Kaiser Foundation Health Plan, Inc., 1983).

\*\* Raymond M. Kay, M.D., Historical Review of the Southern California Permanente Medical Group: Its Role in the Development of the Kaiser Permanente Medical Care Program in Southern California (Los Angeles: Southern California Permanente Medical Group, 1979).

\*\*\*John Smillie, M.D., "A History of the Permanente Medical Care Group and the Kaiser Foundation Health Plan," (unfinished manuscript in draft form.)



The Health Plan Moves Out Into the Community, 1945-1950

Chall: No. As we work through some of the material in this oral history project we'll probably be filling in some details, perhaps making corrections to the record. Dr. Smillie will too, I'm sure. So, let us start.

As I understand it, after the war, the doctors, mainly Sidney Garfield, [Cecil] Cutting, [Monte] Baritell, [Richard] Moore, [Morris] Collen, and a few others, wanted the plan to become public. That was sort of a dream of theirs. I understand they went to Mr. Kaiser with this idea, and he concurred generally, and sent them over to you for guidance. Is that how you understand it?

Trefethen: What do you mean, "they wanted to go public?"

Chall: Well, you see, the war had ended, and they didn't have shipyard workers in the plan anymore. They wanted to organize a community health plan.

Trefethen: Oh, yes.

Chall: So it was decided to set up the Permanente Health Plan as a non-profit trust that would enroll the members and collect the dues. You suggested Jack Baird be appointed the health plan manager. Where did Mr. Baird come from?

Trefethen: As I recall he was with us, but I can't remember where. But he was a very attractive, personable fellow, that I felt would be a good presenter of the health plan. Presenter meaning selling it. He did have a good relationship with people, and I thought he could get along well with the doctors. But I can't recall just what his track record was with us, up to that time.

Chall: I think there were quite a number of health plan managers in that first decade or so. I noted that Dr. Garfield had appointed, sometime in maybe the late forties, early fifties, a Dr. Richard Weinerman as a medical director of the Permanente Health Plan, so I assume that Baird left somewhere around in there, and maybe there was somebody else in between.

On the staff were [Avram] Yedidia and Mr. Tom McCarthy, who was probably the legal person. Were those staff persons generally picked by you, or were they picked by Dr. Garfield? Did he have the most responsibility?

Trefethen: Yedidia was a person that the doctors primarily developed the initial relationship with. Of course I had had a long term relationship with Mr. McCarthy. He was originally with the firm of Thelen, Marrin,

Trefethen: Johnson, and Bridges. So it was a good team, because Yedidia was an expert in rates and McCarthy was an expert in legal matters pertaining to the formation of the plan, and the subsequent problems and growing pains that we went through involving legal questions.

Chall: Now, then, the trustees that were appointed to this health plan were you, and Mr. Inch. He was, I think, one of your close associates in the Kaiser office.

Trefethen: That was Mr. Tod Inch. Mr. Tod Inch was in charge of our industrial relations, overall, in a staff capacity. At that time, why, that staff served our other companies, which would be the cement company, and the aluminum company--they were Permanente in those days, too--the steel company, and our construction, and sand and gravel business. So he was the overall industrial relations head.

And again, a very smart, personable fellow, who did do a lot of work in helping to mold the relationships from the beginning.

Chall: Between the Kaiser management and the health plan?

Trefethen: Yes, he got to know Garfield quite well. He was close to Henry Kaiser, he worked well with everybody, and was very close to me. As a result, we were able to accomplish quite a bit together.

Chall: Who were the other trustees? Who was Mr. Sherwood? G.G. Sherwood?

Trefethen: He was one of the original financial officers of the Henry J. Kaiser Company. He was a long-time trusted employee, and was a very senior man around here in those days. So, the reason for him being on there was to add the financial input into putting this operation together.

Chall: Let's see, we've talked about Mr. McCarthy. What about Harry Morton? Who was he?

Trefethen: Well, Harry Morton was the labor negotiator, and had been with us for a long period of time. He was also a staff man that we used with all our operations; from time to time depending upon whether we had a problem or a project that he would be particularly suited for. He was quite instrumental in helping as this thing began, but was purely another member of our Kaiser--versus the Garfield--point of view. And he was a pretty strong guy.

Chall: Now, as I understand it, your trustees met maybe only about six times between 1945 and 1948.\* I don't know that that's absolutely accurate, but it looks as if you didn't meet very often, and that you allowed the control of policy and the health plan to be handled by Sidney Garfield, on the whole. Is that how you recall it?

Trefethen: Yes.

Chall: So possibly Dr. Garfield was really on his own, as this started, except for some oversight by your committee, or your trustees?

Trefethen: That's correct. He was commissioned to do this and he was doing it quite well in the early days. He had the imagination. It was his plan, and his doctors. And it did work quite well for quite a period of time.

Chall: Then, in addition to that, of course, we have the Kaiser-Permanente Foundation, which had been set up during the war. On that board of directors, again, you served, as chairman of the board. Also there were Tod Inch, Bill Marks, Mr. McCarthy, and of course the two Kaisers--Henry and Edgar. Who was Bill Marks?

Trefethen: Bill Marks ended up as our chief counsel. I don't know what he was at that time. Actually, I think he worked for Tod Inch, but he ended up as our chief counsel of all our companies. He was a very close personal friend of mine until he died, as a matter of fact. Henry Kaiser had tremendous confidence in him, everybody had confidence in Bill. He was tough, he was tough. So he was a part of the initial formation and launching and initial operations.

Chall: Again, I read some place that the foundation trustees, the board of directors, as they were called, didn't meet more than once or twice a year, and they let Garfield pretty much operate that side of the business--the hospitals.

Trefethen: The board didn't meet very, very often, but they had me responsible for what Garfield was doing. I think that's about it. So the staff people that you noticed, that I spoke about, who were on the board, were working very closely with Garfield, in all the various things that he was doing. This is Tod Inch, and Bill Marks, and Harry Morton, and Tom McCarthy. So he wasn't just out there running loose.

Chall: In 1948 there came a period when it was necessary to, I guess, reorganize, because of the growth and maybe legal factors. Then the single medical care program, or the medical care program which was operating as a single entity, was disassembled into three entities.

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\*Smillie, "A History of the Permanente Medical Care Group," 21.

Chall: You already had the Permanente Health Plan set up in '45. The Permanente Foundation Hospitals, then, were established in 1948, and the Permanente medical groups were set up in 1948, at least the one in northern California.

Did you have any interest in the development of, let's say, the Permanente Medical Group, that was set up with the seven partners?

Trefethen: Oh, yes, I had a very close relationship with all those doctors.

Chall: Sidney Garfield, Morris Collen, Paul Fitzgibbon, Cecil Cutting, Monte Baritell, Robert King, and Melvin Friedman. Those were the first seven partners, I think.\*

Trefethen: Yes, and I knew them very, very well, and had confidence in them as doctors. And they were really the leadership in the original Permanente Medical Group, and they continued on for many years in very important capacities.

Chall: As the partners, they basically represented the early people, some of whom had started in Grand Coulee and some of whom had come during the war years. They had a strong emotional concern for the whole operation.

Trefethen: They had all been selected by Garfield. And they were great believers in the operation, in the basics of the plan. They believed in Garfield, very strongly believed in Garfield, and were hard workers, some of them were very innovative. Some of them had been, like Baritell, a famous surgeon. Then he turned into an administrator. As was Cutting.

So these are very important people in the formation of the original--well, in the whole program, going back to the beginning, and going through the shipyards. They had responsibilities during the shipyards, and then after the shipyard days, when we decided to offer the plan to the public, why, their roles became more centralized. They became a team with Garfield. As I say, they were very important to the operation.

Chall: Eventually, after another year, the partners excluded Garfield, presumably for legal reasons. Then they formed their executive committee, which I guess was quite strong for a good decade, almost.

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\*For a different list, see interview with Cecil Cutting, M.D., History of the Kaiser Permanente Medical Care Program, an oral history interview conducted 1985, The Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1986, 40-41.

Trefethen: That's correct.

Chall: With which you were dealing quite a bit. However, I understand that Garfield remained nominally in charge of the entities, regardless.

Trefethen: That's correct.

Chall: De Kruif, in his book, Life Among the Doctors, made one statement about this, saying, "Sid Garfield was Permanente. That was maybe the weakness of this experiment in prepaid group specialist medical care."\* Is that a statement that you consider reasonable?

Trefethen: De Kruif became very infatuated, intrigued is a better word, with the health plan, sold on it, got to be very, very fond of Henry Kaiser, and being both very articulate people, expressive people, outgoing people, why, there was lots of conversation that went around. When we were trying to place everybody in a homogeneous organization, I mean, the physicians, and our organization, we had quite a few discussions with de Kruif. De Kruif certainly believed in Garfield, but he knew that Garfield had limitations when it came to--that Garfield felt that he was entitled to have the whole thing for himself; he could run it all, and the doctors could run it all. And there were times when they came to the conclusion that they didn't even need Henry Kaiser. So that may have been the background thing for de Kruif to have said that after all he was--What does he say again? That he was--

Chall: He was Permanente. I guess in a sense he--

Trefethen: He was. That's correct.

Chall: It was hard to disassemble it.

Trefethen: Yes, that's correct.

Chall: In the 1948-1949 period, there was some desire, on the part of Dr. Garfield, at any rate, to move into the Los Angeles area, which was opposed by Mr. Kaiser, and you, and maybe your fellows in management.\*\*

Trefethen: When was that? '48, '49, you say?

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\* De Kruif, Life Among the Doctors, 407

\*\*Interview of Sidney Garfield, M.D., by Danielle Thompson, transcript, Tape 3, side 1, 6 September 1974 (Audio Visual Department, Kaiser Foundation Health Plan), 6 (hereafter cited as Garfield interview).

- Chall: Yes, and that was just before--well, what happened was the the ILWU [International Longshoremen's and Warehousemen's Union], in '49, requested a coast-wide contract, so you did move into San Pedro. But not into Los Angeles as such. Garfield had promised Dr. Kay that there would be a health plan in Los Angeles for him at the end of the war. So I guess he put him into Fontana for a while, and then he helped with the San Pedro facility. But Los Angeles, as such, you had opposed.
- Trefethen: I do not recall that. I don't recall our opposing the development into southern California from there, because we already were involved with the steel plant and we had a unit there. I think one problem we had is that we didn't want to be close to the ILWU. What they had in mind for a health plan, and how they might participate in it was something that was not along the lines that we believed in, and so we were a little bit concerned that maybe they might get away from us. They wanted us to take on some responsibilities that we really didn't think we should do. I think that was it.
- Chall: Do you recall what they wanted?
- Trefethen: Well, they wanted special this, special that, and we wanted to consider them as just another group.
- Chall: I see, but ultimately you took them in.
- Trefethen: We took them in, as I recall, under a standard contract. I think that's correct.
- Chall: It was when the Retail Clerks Union requested that you come into Los Angeles that that was finally established.
- Trefethen: Yes, that was a huge union, and it was a well-managed union, and we had confidence in these people. So, we really started the Los Angeles unit around their support. That's probably located in the Rexall Building.
- Chall: That's right. So, your concern, then, was with the way the unions as a group, wanted to come into the health plan, on whatever the basis would be. You wanted them to come in under the standard contract.
- Trefethen: That's correct.
- Chall: Did your industrial relations people happen to know Joe DeSilva, who was the head of the Retail Clerks Union?
- Trefethen: Yes, very well.
- Chall: There was some kind of a trust there?

Trefethen: Joe was an aggressive fellow, but he was honest. He certainly believed in our health plan, and was very cooperative in working out problems that came up from time to time. He was a very good labor leader that we liked working with.

Chall: It was Harry Bridges that you weren't sure about?

Trefethen: Oh, Harry was all right. He was more of a character in those days than he is now. He was considered to be a little bit dangerous-- "look out for him," but we never heard that he had any major problems. We just wanted to be sure to be independent.

#### IV THE KAISER PERMANENTE MEDICAL CARE PROGRAM: CRITICAL YEARS OF TRANSITION, 1952-1958

- Chall: In about 1952, what prompted the decision to change the names of the entities from Permanente to Kaiser? The background material says that it was approved by Henry Kaiser, but those things aren't approved unless they're first proposed. What can you recollect about the rationale for that change?
- Trefethen: The name Permanente came out of a creek that runs through our cement plant down in Los Altos. We thought it was a good name to use when we started the health plan. But, it was not a name that would mean anything to anybody, and so we wanted to get the name Kaiser involved into it. So, we brought the name Kaiser into it. Of course, it's been that way ever since.
- Primarily, Permanente was a difficult name. Some people couldn't even pronounce it, and nobody knew it. We wanted to build up Kaiser in this thing, and so we ended up with Kaiser-Permanente. But with the health plan and the hospitals, we didn't call that Permanente. It was Kaiser Foundation Health Plan/Kaiser Foundation Hospitals, and the Permanente Medical Group.
- Chall: Yes, because the medical groups, after they met among themselves, both north and south, decided that they would not take on the name Kaiser, that they would retain Permanente.
- Trefethen: They wanted to have their own name, that's correct.
- Chall: Part of the reason, they claim, was that they didn't want it to look as if Kaiser were involved in any way in the medical group.
- Trefethen: Yes, we didn't either. We wanted to be very clear that this was an autonomous group. Each one of these units was to be autonomous, so we couldn't be accused of practicing medicine, which would be against



Trefethen: the law, and would be bad policy.

Chall: But at that time, in 1952, there were some problems arising between Henry Kaiser and the medical plan, Garfield and the doctors. I wondered whether that was a part of the beginning of the problems, the difficulties between them.

Trefethen: The basic difficulty was the question of who was going to run it. That went on for a long time, until finally we positioned everybody in a common, overall organization.

Chall: That took a long time.

Trefethen: It did take a long time; in the meantime we went through a lot of discussions, and a lot of pressures, and a lot of attempts to change what we had visualized, from something that would really be dominated, controlled--the whole thing--by Garfield and his doctors.

#### Building the Walnut Creek Hospital

Chall: The controversy came to some kind of a head, at least there began to be rumblings, in 1951-2, after Henry Kaiser married Alyce Chester, and decided then to build the Walnut Creek Hospital, more or less on his own.

Trefethen: When did he marry Ale Chester?

Chall: I have that date as June 10, 1951, which I guess was not very many months after the first Mrs. Kaiser died.

Trefethen: Correct.

Chall: Now, some have it that Alyce Chester, having married Henry Kaiser, felt that she was not accepted as part of the executive family, as Bess had been, and having been a nurse, she may have persuaded Henry Kaiser, or, together, they may have decided that it would be nice to build a hospital out where they lived. So Henry Kaiser went ahead, and they built it. In addition to that, she chose who would be on the medical staff. She selected Wallace Cook as physician-in-chief. This created a conflict, of course, with the medical group. They saw two problems.

One, Henry Kaiser was building the hospital on his own and staffing it on his own, and secondly he was utilizing funds which they felt had already been committed to the building of the Los Angeles, and the San Francisco hospitals, and some of the clinics, and it was siphoning away some of those funds. Will you comment on that?

Trefethen: I'm not sure whether Ale got him all excited about building a hospital in Walnut Creek, or whether it was just a natural development. Walnut Creek was a growing area, and Henry Kaiser was a man of vision. He used to tell me what would happen out there in Contra Costa County.

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Trefethen: I think Wally Cook was very close to Edgar Kaiser, and I'm trying to put that together in my mind. I can't quite remember, but Ale Kaiser would, of course, talk to Henry Kaiser about the health plan every day of the year that she was with him, you know. She was a strong person, is a strong person, had some very good ideas, and was one of the best administrators we've ever had.

He, being a builder and it being close to where he was living, why, he spent a lot of time while we were building the Walnut Creek Hospital, just because he loved it, and he loved construction. Yes, we did have some problems about the allocation of funds. I mean, they didn't have the votes on it, but they were concerned with the question of priorities, and we had to have priorities in those days, and we still do have priorities today.

So there were differences of opinion about that, there's no doubt about that. But anyway, finally both of the other hospitals got built. In the meantime, there were probably a few harsh words between the parties, but it got worked out.

Chall: But it was the beginning of a strain. I don't know whether that was the beginning of the strain, but Dr. Garfield did side with the medical profession in terms of the Kaisers' priorities, it not being their prerogative to staff the hospital.

Trefethen: Oh, I think that's true, I think that's true. Of course, that--

Chall: Angered Henry Kaiser?

Trefethen: You see, when we'd finally decided what this relationship should be, there had to be a separation of responsibility as well as organization.

Chall: This was a testing ground?

Trefethen: Yes, and then as you do that, why, you know, people don't understand it, or they don't believe in what you're trying to do. It takes time to undergo change, and we were going through a period of change.

Chall: Now, do you think there's much credence to the statement that Ale Kaiser was not accepted by the executive families in Kaiser?

Trefethen: Oh, no. She was accepted. She was a very kind person and an excellent nurse, even after she married Henry Kaiser. If anybody had anything wrong with them, she'd be right there. She remained close to the doctors, very close to Garfield, but when they got into some discussion between Garfield and Kaiser, why, there were times when it was a little bit difficult because we didn't know whether Ale was influencing Henry or influencing Garfield.

But we respected her, we, the management people, respected her, and got along well with her, liked to be with her socially. I don't remember ever having a problem with Ale about anything.

Chall: I see. If there was difficulty between Garfield and Kaiser, which there was during this period, and following, and, since Garfield had married Ale Chester's sister, Helen, and they lived, I think, next door to one another, did that create problems that you felt in management? You were very close to the Kaisers, of course.

Trefethen: I was very close to Ale and very close to Helen, so I knew them all very, very well.

Chall: How did it affect the relationships of the sisters or the relationships among family members?

Trefethen: I don't think it affected them, I think they got along very well together. It was only when we got into discussions about the philosophy and the relationship of the doctors to us that we got into problems.

Chall: In the meantime, what was happening with the relationship between Henry Kaiser and Garfield? Is that when it started to sort of fall apart?

Trefethen: He became very critical of Sidney, and Sidney was critical of him, and there were some, you know, some animosities that grew up that really turned out to be short lived. As soon as we got the basic plan worked out, everything sort of quieted down. But there was a period when, oh, Henry wouldn't even speak to Garfield for a while. But it was some strong people exploring new ground and new territories. It's understandable.

#### Philosophical and Policy Differences Between Henry Kaiser and the Doctors

Chall: Henry Kaiser, during this period of time, was interested in competition within the medical plan. He was interested in having set up small medical groups that might compete with each other, to

Chall: see who could give better service, apparently. And he really continued to fight for that for quite some time. Did you agree that you could set up the health plan/hospitals so that the doctors could compete like parts of the business? I understand that was a Kaiser philosophy; it is a philosophy in some large companies.

Trefethen: I thought that they could be competitive in their performance, but not in the same area. I never did believe that we could have separate groups of doctors in the same area competing.

Chall: But Henry Kaiser did?

Trefethen: At one time he thought that might be a good thing, but that was a phase that didn't last very long. Basically, it would have been impossible to administer.

Chall: The doctors, for quite some time, were concerned about that. That was one of their concerns in their bill of particulars. They did not want to be forced to compete with each other in the same area.

Trefethen: [chuckles]

Chall: It's interesting that you chuckle, sort of laugh about it now, but at the time it must have been terribly difficult. Well, it was a deep concern of theirs, and probably of yours, in handling it.

Trefethen: Believing in competition, as we all believe in competition--but at what levels? Henry just felt that these doctors were getting too big for their britches. I think he used to say that. So he thought if they were broken up into smaller groups, where they competed with one another, he'd get the advantages of competition, and also you'd avoid the possibility of their getting so big that they would be impossible to handle.

Some of the rest of us felt that, yes, we were strong enough to handle them. We believed in area competition, but we didn't believe in competition within an area, and so we prevailed in that, because we couldn't ever figure how you could administer it. It would have been entirely too confusing.

Chall: Did you discuss this with Henry Kaiser, or just allow the process in which you were then involved to work itself out?

Trefethen: Oh, we had many discussions about it, and finally agreed.

Chall: Was this created by Kaiser's organizational philosophy, or, as you indicate, might it have come about because of a certain amount of pique with the doctors at that time?

Trefethen: In this case it was, yes.

Chall: Just pique?

Trefethen: I think he just wanted to be sure that we could handle them, so that they wouldn't run off and do something that we didn't think they should do.

Chall: What did you think they were going to run off and do?

Trefethen: Oh, set up their own unit, and abandon the nest, and then we'd be without any doctors.

Chall: They felt you were going to go off and set up competitive health plans, and abandon them. That seems to have been part of the controversy.

Trefethen: When people get mad, or upset, or in a big argument which goes on for a long period of time, why a lot of strange thoughts come out. We went through that.

Chall: Now, Henry Kaiser was a very dynamic man, and he could allow, let's say, his philosophy, and maybe even pique, to sort of take over and create certain kinds of managerial problems, I suspect. And you're quite a different kind of person. How did you deal with that? I mean, you were sort of stuck between him and the doctors for many, many years. How did you look upon your role here?

Trefethen: I really had the responsibility for Henry Sr., to make this thing work, so I felt I had to figure out a way to get a relationship that was workable and long term, over the long pull. That meant I had to be able to deal with these people on a workable, harmonious, basis where we would develop some mutual confidence. We did do that. And we, finally, as a result of the mutual confidence, and knowing what could be done, and what couldn't be done, we worked out a program that met enough of the requirements of both sides, so that we ended up with a program that's been very highly successful and expandable, which is very important.

Chall: So, you say you did it because Henry Kaiser wanted it to succeed. I was wondering to what extent you personally were interested in having the plan succeed.

Trefethen: Oh, I was very attached to it, I was very attached to it. Because I knew the people so very well, and I'd been through all the growing pains, and it was a challenge to make it work. I believed that Henry Kaiser's vision as to where this thing could go ultimately was right, and that it was something that was worth working on. I enjoyed it. I enjoyed the challenge, and I enjoyed the relationships involved in it.

Trefethen: But my job was to make the thing work, anyway, so in order to do that, we had to find an answer to the problem that had been growing and getting worse all the time. We really finally did pound it out.

#### Events Leading Up to and Following the Tahoe Conference

Chall: Yes, indeed. I think by 1955, when you began your Working Council meetings, before the Tahoe meeting, that the doctors felt that it was almost a disaster, that the whole program would fall apart. Many people credit you with pulling it together, and making it work.

Trefethen: Well, you see, as I look at these names [Working Council and Advisory Council], these are very strong people--Dr. Kay, Dr. Seward, Dr. Collen--they're all very emotional people, too. These people get all emotionally entangled with the subject, and you have to quiet them down in order to really have them sensible about the pros and cons of various routes that we might go.

There is this matter about Felix Day, the administrator in San Francisco. We had to have some strength over there. It was just Dr. Collen, who was not a good administrator. But they didn't think so, so we had to work that out. Yes, I was involved in it intimately from the very beginning.

Chall: One of the things that would touch off the medical groups from time to time would be bringing an administrator in to one of the other entities. An early one in 1953 and '54, and again in 1960, I think, was bringing Dr. [Clifford] Keene in to manage the program.

In 1953 Henry Kaiser brought him in from Willow Run, and that upset the doctors. You had a long-time relationship with Dr. Keene over the years. What do you recall?

Trefethen: We ran into him back at Willow Run. Edgar Kaiser had him back there as his industrial physician at Willow Run. And we got to know him, and believe in him. He was running quite a big unit back there. We saw his administrative qualities. So, we--Edgar, and Henry Kaiser, and myself--all agreed that what we ought to do is bring him in here to set him up to run this thing. And so we did.

Of course, that didn't set well at all with the doctors. But he did an excellent job, and only with the time and the experience with him did they finally quiet down. But they never did really get over the fact that Clifford Keene wasn't one of them.

Chall: I noticed from time to time that from 1953 until as late as 1960, he was always put someplace and then moved.

Trefethen: He was never completely acceptable.

Chall: It's quite interesting that he stayed in there.

Trefethen: Well, he was strong, and by that time we had a pretty good board, and he had the confidence of the board, and he had the confidence of Henry, and me, and Edgar; everybody knew that. And he was doing the job. So, that's why he survived.

Chall: Another matter that seemed to bring some problems to a head, and lead--I guess it was to lead--to the meetings that you all had, was the resignation of Dr. Fitzgibbon and then the resignation of Dr. Baritell, apparently over matters related to who was in charge, I suspect, to put it briefly, the doctors or the Kaiser management. I don't think Fitzgibbon ever came back, but Dr. Baritell did.

Trefethen: Well, Fitz was a doctor of mine, I can't remember why he resigned. Do you know? What happened to him? Did he resign from the health plan, or from the Permanente group?

Chall: Here I find this on page 55 of the Smillie manuscript. "Dr. Paul Fitzgibbon, who had functioned as the regional medical director of the medical group from 1946-1952, one of the founding partners and a member of the Executive Committee, requested terminal leave of absence in June, 1953. While his leaving the medical group had been attributed to some personal family problems, he expressed strong feelings that the program would not work if run by businessmen.\*

Trefethen: I don't ever remember having any kind of a conversation with him about that, and I was very close to Fitz. I think Smillie's got it wrong. He had some personal problem, and I don't know what it was. I don't think he was too happy with Dr. Garfield, but I don't think he felt that we were going in the wrong direction. Again, he was my personal physician for quite a while.

Chall: That's quite possible. That's one of the reasons for doing this oral history--to sort of fill in missing links.

Trefethen: I'm not sure at all that he left for that, but when you talk to Cutting, you might ask him. He might have a recollection on that.

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\* Smillie, "A History of the Permanente Medical Care Group," 55.

Chall: Yes, he probably would.

Trefethen: Or Collen. Collen would. Baritell's gone, and Neighbor's gone.

Chall: Garfield, too.

Trefethen: Kay, I don't think would remember. Maybe Kay might remember.

Chall: We'll be talking to him. Yes, Kay was really in the south more. Then Dr. Baritell resigned. This again is from Smillie, on page 56, "Dr. Baritell resigned from the medical group suddenly and unexpectedly in mid-October, 1953." That's just a few months after Fitzgibbon. "The letter of resignation, which spelled out a variety of complaints, received untimely publicity in Bay Area newspapers. Dr. Garfield met with the Permanente Medical Group Executive Committee in a special meeting to discuss the substance of Dr. Baritell's complaints. Members of the committee were reassured that the problems were being addressed. In addition, they would have a full voice on the enrollment of new groups, and all financial data on the operation of the total program (Health Plan, Hospitals, and Permanente Services) would be available to the Executive Committee. Garfield stressed that his desire to be helpful and provide advice had been misinterpreted as control and domination."\*

This is the difficulty they had with Dr. Garfield in the center of the forces there. Then Dr. Baritell came back.

Trefethen: Baritell was primarily a surgeon. He was a hell of a good surgeon. He was put into administrative capacity, and he really didn't like it. I don't think he really understood what was going on, except that he had the responsibility of running the Permanente Hospital out here on MacArthur and Broadway. He would have much preferred to have been in the operating room.

I think, yes, he got upset about who was running what, and what was his responsibility, and what was Garfield doing, and what was Collen doing? They were all right there together, you know, Cutting, too. And I just think he got frustrated and left, I mean in his capacity, and went back to surgery. I think that's what he did, didn't he?\*\*

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\* Ibid., 56.

\*\*Cutting interview, Regional Oral History Office, 49-50.



Chall: I don't know. I know that he came back eventually as a full partner and resumed his place on the executive committee. Then he was on all the committees that were developed prior to and following the Tahoe meeting.

There were also problems in southern California, and these are the same kinds of difficulties regarding management. The Steils were put into positions down there, management positions during 1953-1954, either with the health plan [Karl Steil] or the medical group [Paul Steil]. The Steils eventually were accepted, both in northern and southern California.

Trefethen: Yes, Paul Steil, I think, was the one we had in charge down there.

Chall: And then Karl for a while--I mean both. Are they brothers?

Trefethen: Yes, they are brothers.

Chall: Did you know them?

Trefethen: Oh, yes, very well.

Chall: Were they members of Kaiser industry staff?

Trefethen: No. They picked them up in the process of forming the health plan down there.

Chall: Well, now we can get into some of those early meetings of the Working Council. It was set up at the request of the medical groups, and they sent a letter to you in April 1955, April 20 or 21. According to the records, the medical group urged that there be representation from the board of trustees, suggesting you, the two Kaisers, and Mr. Link. They also wanted representation from each medical group and Dr. Garfield; they wanted to meet semi-monthly for six months, and wanted everything else to remain at the status quo.

You actually did meet once a month for several months, for a couple of days each. Some of that information is on page three of Dr. Smillie's chronology. [Mr. Trefethen and Mrs. Chall review the background of that series of meetings.]\*

I think there's no point in going through more of this. It looks as if always, whenever a committee was set up to consider one aspect of the plan or another, the northern California group was

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\*Smillie, "History: Chronology," 3.

Chall: made up of Drs. Collen and Baritell, sometimes Felix Day, Hal Babbitt, George Link, Drs. Garfield, Keene, Cutting, and Neighbor. From southern California there were Drs. Kay, Weiner, and Scharles; both Steils, and occasionally Dorothea Daniels.

These were people you were dealing with constantly. You say they were strong, emotional people?

Trefethen: Yes, that's right. And I guess it just took many meetings, of sitting down and listening to them, and they listening to us, in order, finally, for them to realize what might be possible, and what might not be possible.

Chall: What do you remember of the several days at Lake Tahoe? That just happened to be the culminating point. I suppose the same meeting could have been held in Oakland, as the others were.

Trefethen: Yes, we thought if we got up there we'd get away from the interruptions. Yes, I think it helped, and we began to pound out the various relationships, but we didn't get to the economics of it all at that time at Tahoe. We didn't really get to that until I pounded it out down in southern California with Dr. Ray Kay.

Chall: Why do you think it was easier to get it through Dr. Kay and his group than up here?

Trefethen: Well, Kay was difficult, but he was a strong leader. By this time it was a very big unit, and I think I just felt that I'd like to go down there, and sit down and talk to him, and see what we could work out, because it, from time to time, would get out of hand up in northern California, when you were talking to Baritell, and Collen, and Cutting, and Garfield. And going down to southern California I could talk to Ray Kay alone.

Although Fred Scharles got involved, and Herman Weiner, and Paul and Karl Steil, to a limited extent, the main thing was sitting down and pounding it out with Ray Kay. It made it possible. In other words, to get the basics, and to get an answer to the basic problem, usually it's easier to do that through two people sitting down, than for a group to sit down to do.

Chall: Do you think it was because Kay was not one of the earliest founding members, and didn't have the emotional attachment to doing things as they were?

Trefethen: Well, sometimes he was more emotional than the rest of them. He was absolutely impossible at times. But at least he was the head of southern California, which was large, larger than northern California, and the people in northern California did have confidence in him.

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The Kaiser family lodge at Lake Tahoe, scene of the Tahoe conference.



Kaiser Permanente medical care pioneer attend the presentation to Dr. Sidney Garfield of the Lyndon Baines Johnson Foundation Award for his significant contribution in the field of health care services, 1977. (Left to right): Drs. Sidney Garfield, Raymond Kay, Morris Collen, Cecil Cutting, and Mr. Edgar Kaiser.



Chall: Now, we've been talking about the fact that the doctor side was very emotional. Did all on your side stay calm, cool, and collected?

Trefethen: No, no, Henry Kaiser would get terribly emotional. And I had some hard words with all of those people. But we stayed with it until we worked it out.

The Solution: The Organization and Its Philosophical and Financial Foundation

Chall: Mr. Fleming has written that after you'd had a number of meetings of the newly-formed Advisory Council, following the Tahoe meeting, you found that you weren't getting very far--not coming closer to a solution to the problem. So, you asked your staff to come up with some answers to some of these problems. On the staff were J.F. Reis, a financial officer in Kaiser-affiliated companies, Arthur Weissman, a medical economist in the medical care program, Karl Palmaer, a financial analyst from the medical care program, and Scott Fleming, legal counsel, Kaiser-affiliated companies. From time to time you were assisted by Paul and Karl Steil in southern California, W.R. Price, Jr., Hal Babbitt, and W.F. Day in northern California.\*

Part of the solution had to do with the division of responsibility--the way doctors would be compensated, and the way the health plan would be compensated. Capitation and a four percent factor for depreciation seemed to be additional financial features of the plan.

Did this develop out of your background in business? Or were you charting new territory here?

Trefethen: Well, basically, we finally agreed that we were partners, and that they had the autonomy in medicine, and they would have partnerships that they would organize themselves, and run themselves, and we would contract with them on a per capita basis to handle the medical side of our health plan. Our health plan would be manned by us, and we would have a board of our own, and they would not be represented on it, and we would not be represented on their executive committees, or their boards. But the heads of our regional offices, the head of

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\* Scott Fleming, "Evolution," 26.

Trefethen: our regional office in northern California would work with the chairman of their executive committee, or chief administrator in working the problems out between our health plan and hospital organizations and the doctors.

In order that they would have an incentive to do a good job in taking care of the people, and keeping them happy, satisfied, and also interested in controlling the costs, we said that they would be entitled to 50% of any of our cash flow that we obtained from the operation that they were involved in. That meant that if they could save a dollar they got half of it. If it cost a dollar, it would cost them half of it.

We led them into thinking that they should set up, in their partnership, a compensation program, and incentive program within their own partnership, and so they had partnerships and various grades of partnerships, employees. And then we urged them to set up some benefits for their doctors, benefits being pension plans, that type of thing, which they did.

We clearly vetoed any idea that they would be on our board, or that they would have any direct responsibility for the operation of the hospitals or the health plan. But because they were a partner, financially, and in everything that we did, we additionally set up a program where the head of each region, for us, would meet regularly with the head of their medical group, and work hand in hand as partners in making this thing go. That meant very good communication, all the time, between the two of them.

The regional manager of the Health Plan and Hospitals in each region and the head doctor in the Permanente Medical Group in each region would have the responsibility for working out all the major decisions in the region, such as the annual operating budget, the facilities construction program, and the like. The idea in mind was one of a partnership in which the unilateral decision-making was minimal, and our management and the top Permanente doctors would strive to achieve 100 percent agreement on whatever we decided to do. But on fundamental non-medical matters, if we couldn't reach agreement, then our final position would prevail, and that was clear to the doctors and accepted by them.

Of course, we never interfered with their practice of medicine. The medical groups contracted with us to provide and arrange all covered medical services for our members at an agreed upon capitation payment, and we held them to that agreement without getting involved in their decisions about staffing, medical practice, and incomes of individual physicians in the groups.

Trefethen: Under the new arrangements, the medical groups had a stake and a risk in the financial results, and how well they satisfied our members as their patients strongly affected those results.

Charges against earnings for depreciation didn't produce enough cash flow for the Health Plan and Hospitals to satisfy the capital generation requirement for new and expanded facilities. So we added a 4 percent factor that the health plan and hospitals took from net revenues of each region before sharing the net/net with the medical group in that region. That 4 percent factor stood for a number of years.

Our people negotiate what amounts to an annual fixed price contract with each medical group. While it's an exclusive arrangement by mutual agreement, either party could serve notice and walk away. A medical group could decide to contract with one of our health plan's competitors, and we could decide to switch to another medical group. That happened only once, in Hawaii, when Mr. Kaiser found that the original medical group there was treating our members as second class citizens, compared with their fee-for-service patients, and was making unjustifiable profits for what services they provided. He cancelled the contract, and several of the dedicated physicians in that group who believed in prepaid group practice stayed with it, formed a new group with the help and advice of Cliff Keene and Ernie Seward, and signed an agreement with us.

If for some reason there is a big windfall in any year, those unexpected earnings are set aside and carried forward to offset increased expenses in future years. In that way, our members and their employers who pay the costs of employee health benefits are the ones who benefit from unexpectedly large earnings. Not the doctors and not us.

So, back in the mid-1950s after we pounded it out together with the top doctors, we all agreed that the concepts sounded right and needed to be tested for fairness, equity, and workability. The relationship and the arrangement passed all the tests because all parties believed in what we're doing in our approach to meeting health care needs. It's worked in all of our regions, and there's never been any reason for change.

#### IV INTO THE PRESENT

##### The Kaiser Permanente Committee

Chall: Tell me how the Kaiser Permanente Committee works.

Trefethen: They meet regularly. They usually meet apart from this area, they go down to Carmel, or someplace; sit around for a few days. And they talk about all of the policy questions. Policy questions being, do we go into New York? Do we go into Cleveland? What do we do about our expansion within areas? Do we expand beyond the cash flow that comes from a particular area, in an area? In other words, do we borrow money from one area to another?

And those things have all been pounded out, by reason of the fact that these people do communicate very, very, well, and constantly, and they make all these policy recommendations to the board. They recommend to the board something that they all agree upon. And usually, they all do agree upon it.

##### The Kaiser Foundation Health Plan/ Kaiser Foundation Hospitals Board

Trefethen: Then, we invite each member of our regional management team, of which there are two people, the doctor and the administrator, to our board meeting, and they are in attendance all during the board meetings. They make reports to the board individually, and then we have an executive session after we've gone all through that. Or only the board sits down and meets to talk about whatever they want to talk about.



Trefethen: That is, sometimes, we get into people problems, and sometimes we get into financial problems, and sometimes we get into problems on what to do about the quality assurance that we must have, having to do with their performance with our patients, with our health plan members.

So, it's workable because people make it work, and the set up is such that it can work if the people communicate and are fair and honest and believe in what they're doing, realizing that in order to remain healthy, why, they've got to do a harmonious, and a good, job.

Chall: Are you still on the board or any aspect of this whole--

Trefethen: I'm vice-chairman emeritus of the board of the Kaiser Foundation Health Plan and Hospitals.

Chall: And do you attend meetings?

Trefethen: I attend meetings.

Chall: Do you speak?

Trefethen: Oh, yes.

Chall: I see. That keeps you in touch, then. You know how it's succeeded.

Trefethen: I don't go to the Kaiser Permanente meetings. This is to our own board meetings, and then I, of course, keep in close contact with Jim Vohs, and I know all the principal people, because we meet them whenever we have a board meeting. We always have a social function attached to them, so you get to know the people, and their wives, including the doctors and their wives, that are lead people.

So, by doing that our board gets to know these people well, and to have a chance to size them up when they make reports. And when appointments are made and recommended, why, they have a good background about it.

Management: The Key to Success

Trefethen: I might just add this. It's a very difficult thing to manage, this overall health plan of ours. We've had very good management, with Keene, we have very good management with Vohs, and the reason that all that we read about the HMOs running into trouble, is because of management, or lack of it. We've got a procedure, and we've got a set up, that is sound and solid and established by time, but, the management of it is what is terribly important.

- Trefethen: I think that we have in Jim Vohs a very superior person. He came up through labor relations, which means he had to have good relations; he was good with people. And so he is good with the doctors, he is good with the staff, he is good with his trustees, he is good with his patients. He's a man with compassion, very good judgment, very strong, very strong. He must be very strong because he has to make decisions; sometimes they're not completely popular with certain people. But you must have good executive management in order to make this thing work, and we've had it.
- Chall: Yes. One of the differences between, I guess, Kaiser and other HMOs is that they don't usually have the integrated use of hospitals and clinics, so that you're still ahead in that aspect.
- Trefethen: That's right. And one thing about doctors as a group--this doesn't apply to all of them--they are not (they'll probably shoot me when they read this) they are not good administrators, and they're really not very good businessmen. I think that's because of their training. You know, they've been trained in medicine, and that's what their life has been devoted to, and all of a sudden you say, "I want you to be president, or an administrator," or something. They haven't had the training and the background that is necessary in order to run a business. And this is a very big business.
- Chall: It is, certainly. Well, it was, in a sense, from the beginning. Sidney Garfield was, somebody has said, "Entrepreneurial by nature," and I guess to some extent he was.
- Trefethen: He was. Very. Very, very. You know, he had the idea and he sold it, and he ran it, and he got it financed. He put together the doctors, and the organization to do the thing. That's an entrepreneur.
- Chall: I suppose that one person couldn't ever manage the whole thing as it got bigger.
- Trefethen: Well, he couldn't.
- Chall: Nobody could, perhaps.
- Trefethen: And of course he wanted to design all the hospitals, and he wanted to do everything himself. But the point is, he couldn't do it.
- Chall: Do you think anybody could have singlehandedly run those three entities?
- Trefethen: No, I don't think so, I think you have to have them separate because they've got to have their own autonomy, their own thing, you know. And yet they have to be able to work very closely together.

Chall: Well, you should feel a certain sense of pride in what's developed here.

Trefethen: It's been a lot of fun. I'm not the guy that's responsible for it. We had an organization around here. Henry had me looking after this thing, and I was very close to him. He was very close to me, and he was on top of me, rest assured, to be sure that I was doing the job.

### Extension to Hawaii

Chall: When Henry Kaiser went to Hawaii and attempted to set up his plan all by himself, it didn't work.

Trefethen: Oh, it worked. The problem there was the learning curve; it took longer over there. It took five years to bring that thing into the black, and it wasn't his problem, his fault. It was just a situation where they had a very good medical set up over there in Hawaii. Those doctors were very strong, very closely knit, and they didn't like us coming in there at all.

So we were fighting to get health plan members, and getting doctors, and it was a very difficult thing to do. It took more time than in a city where you haven't got that kind of competition, and where you have more sympathy from the people that are in the community. So, it worked; evidence the fact what we're putting in over there now-- What was it-- Forty/fifty million?

Chall: What, of new hospitals?

Trefethen: New hospital, and new clinics--

Chall: Is that so?

Trefethen: Oh, yes, it's very successful now. It just took five years before it turned around, which is longer than we usually expect it will take. We usually expect it will take a couple of years. But over there it took five. It takes so much time to get the members; you just can't go sign them all up like that. [snaps fingers] It's like starting a television station. You go out and start a television station, and it's going to be years before you finally get the thing into the black, because you've got to develop the programming and the viewers before you get the advertising.

Here, you have to develop a program, and a support, before you can get the health plan members to come into our health plan. That's what the problem was over there.

- Chall: It wasn't just Henry Kaiser's rushing in there and selecting a group of doctors, that first of all didn't work out?
- Trefethen: No, I think Dr. Lin over there was a very good doctor. I think we had a pretty good health plan manager over there, as I remember.
- Chall: At the beginning?
- Trefethen: But it just was tough. It was tough to get the business.
- Chall: There weren't that many people living over there, either, at that time.
- Trefethen: Yes, that's right, there are more there now. But the competition was tough. They had good hospitals, and they had good doctors, and they had some kind of an organization over there that was pretty difficult to break through. Boy, they didn't want us to succeed; there's no doubt about that.
- Chall: So that it was almost like the beginning over here, when you had to have very dedicated doctors to fight the hostility of the organized medical profession.
- Trefethen: Very closely. Very closely related.
- Chall: I think that's all I want to go into with you today. I may want to come back to fill in some details.
- Trefethen: All right. Now, of course, you see that what's happened is that everybody's seeking us out. They want us to acquire them; there's no problem to get the best doctors in the nation. We have capital galore, we have all the things that success brings to you, but even so, it's a very difficult thing to manage.
- Chall: Yes, and I suppose you have to consider, too, what is size? What meaning does size have which you didn't have to consider always before?
- Trefethen: I think Henry's goal was to extend it to as many people in the United States as possible, because he thought that it was going to be a service that the country needed, and he wanted to provide it to them. Of course it would be non-profit. There wasn't any financial incentive to doing it, it just was something that was a service that we could perform, to benefit many. That's why all these people are working in the program. They're paid very well, now. They have incentive programs and bonuses, and pension plans, and vacation policies, and all that sort of thing.
- Chall: And research time. Education.

Trefethen: Research time.

Chall: It's a great tribute to all of the people who stuck it out. Pounded it out, as you have said.

Trefethen: It's been a lot of fun.

VI THE PARTNERSHIP BECOMES A REALITY AND THE HEALTH PLAN CONTINUES TO GROW

[Date of Interview: June 12, 1985]##

Management's Response to the Permanente Medical Group's Plan to Operate in San Diego, 1961

Chall: I wanted to come back and talk to you about the abortive move into San Diego, which I didn't really know about when I was here before. Sometimes I pick up information as I go along. Then I want to ask you about the extensions--the first ones--into Cleveland and Denver, and a little bit more about Hawaii. Finally, I want to talk to you about the board and how it works, and who are on it.

So let us begin. San Diego. Even though this came shortly after you had settled that whole partnership and contract arrangement after the Lake Tahoe conference, there was still some dissension apparently between management and the physicians. As I recall, Fred Tennant was appointed regional manager, Arthur Reinhart was appointed health plan manager, and then a hospital administrator [Verne Brammer] whom Dr. Collen didn't like was appointed to the San Francisco hospital by Felix Day. So it propelled a move toward setting up a health plan in San Diego, by the physicians in northern California, apparently to show how they thought a plan should be run. What's your recollection and assessment of that?

Trefethen: I'm not sure just who particularly brought it up. I think it was some group instigated it--maybe Ray Kay. Or possibly they all got together, the various regions, and decided that they would like to try one on their own, and they wanted to do this in San Diego.

Chall: I think, actually, that this was just northern California, and southern California agreed generally, because they said that at that point they didn't plan to go into San Diego. I think it was the northern California group, with whom there had always been some little dissension.

- Chall: When I talked to Dr. Cutting about it, he said that some of those people probably would have been acceptable to the physicians. But it was the fact that management put them there, without consulting with the medical group, that really was one of the major bones of contention.\* I was just wondering why at that point Mr. Tennant would have been appointed as regional manager, and what his attitudes towards the physicians might have been.
- Trefethen: Well, let me see. Fred Tennant, of course, had been with us for many, many years.
- Chall: With Kaiser?
- Trefethen: And Fred always was a man who could get along with people. A negotiator, he was a labor relations man, an industrial relations man. I believe we had him as manager of the health plan, did we not?
- Chall: Regional manager, yes, of northern California.
- Trefethen: In northern California. I don't think we brought up the question of San Diego.
- Chall: No, I think the doctors did.
- Trefethen: The doctors brought it up, and we of course, immediately objected to that. It would be a breakdown in our basic relationship, and would cause nothing but trouble over a period of years, because San Diego is a big market, rather close to Los Angeles.
- So we just said, no, that if it was going to be done, why, we would do it. We made a study of the thing and decided it was the thing to do, but do under the basic plan that we had worked out in northern California and southern California. I just don't remember the circumstances surrounding putting Fred in there, except that Fred was very capable and a very capable organizer. He didn't have all the doctors' support, I don't think, but we thought he had enough acceptance by the doctors that he would be able to do the job.
- Chall: According to Dr. Smillie, you and Edgar Kaiser, at the beginning, seemed generally amenable to the move, although not wholly favorable. But it was when Henry Kaiser found out about it that the chips were down, and he told Dr. Cutting that he would destroy the program if they went to San Diego. Do you recall that?\*\*

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\*Cutting interview, Regional Oral History Office, 69-76.

\*\*Smillie, "A History of the Permanente Medical Care Program," 105-106.

Trefethen: No, I don't. I don't think that Edgar Kaiser nor I would be saying it's okay to go ahead with this thing, at all, because we just wouldn't do that. It was basically wrong. I don't know when we talked to Henry Kaiser about it. We talked to him about it after there had been some discussions with the doctors, but we were never, to my knowledge, amenable to such a move.

Chall: I see. So it was Henry Kaiser who just put his foot down and--?

Trefethen: Well, he would.

Chall: Yes, he would.

Trefethen: He was the boss. He said, "No, it isn't going to be done." So, it wasn't going to be done. That ended the argument.

Chall: Yes. Right away. However, what seemed to have come out of it, according to Dr. Garfield, was that it caused the laymen to realize the need for some kind of joint venture, and understanding between physicians and management.\* The outcome was that Mr. [Karl] Steil was brought in in place of Mr. Tennant. That seemed to make things work from then on. I would like to know from you what might have been going on within the board or the management to have brought about the replacement of Tennant with Steil.

Trefethen: Can you help me on this? When did Steil become northern California regional manager?

Chall: Let me check that date.\*\*

Trefethen: And that was after the beginning of the San Diego--?

Chall: Yes, it was about a year after San Diego was dead in the water. After Tennant resigned and Karl Steil came in, everything then worked out all right. Was there something about Mr. Steil's method of operating that made it work?

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\* Garfield interview, tape 5, side 1, 10 September 1974, 5-6.

\*\*Karl Steil replaced Fred Tennant as regional manager in December, 1962. See Smillie, "A History of the Permanente Medical Care Program," 107.



Trefethen: I don't think it was Tennant that was the problem. He might have been part of the problem. I think it was basically the question that they wanted to go ahead and do this themselves, and we said, no. It took them about a year to get over it, I think.

By that time, we made a change and Steil became regional manager. We decided at that time, we the health plan and the doctors, to go ahead with San Diego on the same basis that we had worked out.

Chall: Having it a part of the southern California medical care program?

Trefethen: That's right. It finally got under the wing of southern California, which is where it belonged. There were always some problems that existed between northern California doctors and southern California doctors. They always didn't see eye to eye together. But as time has gone on, they've gotten to work very closely together and very harmoniously together, but there was a time when the north was the north and the south was the south. So Steil never was involved down in San Diego?

Chall: No, he never was involved. He came after this whole crisis occurred. Then Steil was brought up here.

Trefethen: Well I don't see the relationship between our starting up the San Diego and the fact that Tennant had been replaced by Steil, because the thing about it was that it was purely and logically a southern California venture. When that finally got settled, we went forward with it. I don't think that had anything to do with Steil because Steil was only involved in northern California.

Chall: Well, what I think it means is that the northern California medical group was upset with the Tennant appointment and other appointments that were made at that time. They decided to go down to San Diego because nobody was there yet, and set up a health plan--some type of organization--to sort of show the management that it could be done in a different way.

When that failed, my assumption is that the board realized that the partnership agreement, as it was set up, depended on personalities more than solely the paper organization, and that perhaps somebody had to be brought in as regional manager who could get along better with the physicians here than Mr. Tennant did, so Mr. Steil was brought up to do exactly that.

From that time on, there was harmony. It was really a question of management and doctors in northern California, not San Diego, per se. Mr. Steil apparently worked, and has always worked, more harmoniously with the doctors than his predecessor.

Trefethen: There's no doubt about it that he has worked much more harmoniously with the doctors.

Chall: What is his style? Why did he--?

Trefethen: He understood their problems better. And, I think, by that time, was more tolerant of them, and more lenient to them, and more of a mind that this was a partnership. In the early stages it was just a question of one person's interpretation of the basic understanding versus another's. There could be different answers to that question and different approaches. So for a while, there were some people that would be going in one direction, and the other people would be going in the opposite direction. It took a while to get everybody working together.

Chall: I was wondering whether that fact that Mr. Tennant had been in industrial relations with the Kaiser company, whether he looked upon the doctors as employees rather than as partners. That's just a question I throw out. It's perhaps irrelevant.

Trefethen: I don't know. I don't recall any instances of that. But remember that Jim Vohs came up through industrial relations, and so did Dan Wagster. These people were brought in because they knew how to handle people and they could get along with people. It's not just getting up in the ring and fighting it out. That wasn't our way of handling industrial relations.

Then there were a number of other people that were involved in industrial relations that got into the health plan picture; Dave Bell. The point is that I don't think that was it. Fred was very good--I considered him to be a very good manager. He just wasn't the most popular guy with the doctors, so we made a change after quite a long period of time. He did a lot of good things for the health plan.

Chall: That's worth knowing. One doesn't like to leave a cloud over somebody.

Trefethen: No, he was a fine fellow. Everybody liked him and got along with him. But one has to bear in mind that the doctors were a long, long time getting to the point that we were in at that point. It takes a lot of hard work to keep everybody working together, even today. It's just not easy. You've got to go at least halfway, and usually more than halfway in order to work these problems out.

Extension of the Health Plan to Cleveland and Denver, 1969

- Chall: All right. Now we'll look at Cleveland. As you know, in 1961, the meatpackers union came here looking into some kind of health plan and approached Dr. Saward. He, along with Mr. Yedidia, worked out a plan in Cleveland, which was not succeeding. However, when Dr. Saward talked to you about this, you said to him, according to Dr. Saward, "Don't you ever, ever get us involved in Cleveland."\*
- Trefethen: I don't recall that incident.
- Chall: Do you recall if you were opposed initially to Cleveland, and why that might have been? It came not too many years after a difficult time you had getting Hawaii started. I don't know whether that had anything to do with it or not.
- Trefethen: It could have been, but I don't recall. I don't recall being opposed to Cleveland, or being opposed to any of our expansion programs. As a matter of fact, I've been more of an expansionist than most people.
- Chall: Do you recall a meeting--I don't know whether you attended it--between the Cleveland people and the Kaiser organization here, the health plan organization, at, I think, a dinner in The Blue Fox? Dr. Saward got the opposing sides together because Kaiser people here were really at that time not too much interested in taking on Cleveland. The Cleveland people were from the union mainly.
- Trefethen: You mean the Kaiser people being the--?
- Chall: Well, the board. And the board primarily was industrial, made up of the industry people. So he brought the two together.
- Trefethen: I think it was a problem also of whether the doctors wanted to do it. There was an uncertainty as to whether or not it was the right thing to do. Why Cleveland instead of Detroit, or Timbuktoo.
- Chall: Or elsewhere in California.
- Trefethen: It was a long way from home, and management of these things is the key to their success. As you noted, we had a long, long period of time before we could bring the Hawaiian plan into the black. That was a memory that was stamped very clearly in front of us to look at as a record.

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\*See interview with Ernest Saward, M.D., History of the Kaiser-Permanente Medical Care Program, an oral history interview conducted 1985, the Regional Oral History office, The Bancroft Library, University of California, Berkeley, 1986.

See also interview with Clifford Keene, M.D., History of the Kaiser-Permanente Medical Care Program, an oral history interview conducted 1985, the Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1986, 144-145.

Trefethen: We knew, therefore, that wherever we went there would be a period of time where we would have to be prepared to absorb losses in order to get established. As in our financial responsibilities, we wanted to be sure that we had properly assessed that problem, properly estimated the cost of it, in order that we would be sure that we weren't making some mistake that would be a serious one.

Let's see. Who did we send back there first?

Chall: You put the northern California group in charge, Dr. Cutting and Mr. Steil. Mr. Steil, I think, became their regional manager for a number of years, and Dr. Cutting was on their board. Dr. Packer was medical director of the region.

Trefethen: Sam Packer. He was a perfect choice!

Chall: Then, there was Denver, that came also in 1969. The southern California group took that over. That had been started a little differently, but I think there was--I'm not sure whether there was a hospital or a clinic there, already available.

Trefethen: There was a doctor there that we were able to work with. [Wilbur Reimers] We took him on, and he just recently has retired. He did a marvelous job, and he was a wonderful person, in very good standing in the community. He was able to work out some very serious problems that the doctors had in that community because of the prejudice against doctors, particularly that group practice type of medicine.

Chall: That took a while, I think quite a while before it came into the black.

Trefethen: Quite a while. But they're very successful and have done a very fine job.

Chall: Just an aside, of the next twelve people to be interviewed, I think these two doctors from Cleveland and Denver will be on the list.

Trefethen: You'll enjoy Packer. Dr. Reimers is a very fine gentleman, entirely different from Sam. You'll like them both.

Chall: You say that since 1969, when gradually there's been a move to expand quite a bit all over the United States, you have been in favor of this.

Trefethen: Oh yes. Yes, because I think the plan is so basically sound to the extent that if you can develop management and capital to do it, you should do it. You should extend it around the country, because it fills a very definite need. And, of course, it has stimulated a lot of other health plans that are now in competition, and that is good for the health industry.

Trefethen: I think that as a result of this joint effort with the doctors, we've made a real impact on health care and will continue to do so, more and more so all the time. Because as we've stimulated others to do it and they've done it, they've stimulated others to do it.

#### The Kaiser Family Foundation

Chall: In the early days, in the Cleveland and Denver days, the Kaiser Family Foundation provided a considerable amount of money. Although you weren't on their board, I suppose that you may have had a certain influence.

Trefethen: I was the president of the Kaiser Family Foundation from its very beginning, until such time as it was thought that there might be some conflict of interest between the family foundation and all of the operations of the various Kaiser companies that I was responsible for. It was decided that I should withdraw from the family foundation.

At that time George Woods was the chairman of the board of the family foundation, and he selected Dr. Bob Glaser as the president, to replace me.

The Kaiser Family Foundation owned controlling interest in Kaiser Industries, and Kaiser Industries owned controlling interest in Aluminum, Steel, and Cement. With my resignation from the board of the family foundation, any possibility of conflicts of interest was eliminated.

The fact was that the only connection that existed after that was Edgar F. Kaiser. He was on the family foundation board and was also chairman of the boards of the various operating Kaiser companies. I was responsible for the day-to-day operations of all the various Kaiser companies. Because of that, the attorneys said, "Well, it would be better if Gene got off the board." I did not want to get off the family foundation board. I felt that the conflicts could be handled and in view of the fact that I had started it with Henry Kaiser, I wanted to be a part of its future. But I couldn't do both, the attorneys said, and I resigned.

Chall: You still had a little influence, I'm sure.

Trefethen: Oh yes. Yes.

Chall: It was an important move on the part of the family foundation to have provided the millions of dollars in grants and loans to the Kaiser-Permanente Health Plan and Hospitals that it did. It got those first extensions underway.

Trefethen: Oh, yes, I was very instrumental in that. The Henry J. Kaiser Family Foundation originally provided the money for the start of the health plan after the war. Then they provided the money--and I was right in the middle of that--for Hawaii. That was a tough one, because it was losing money, and losing money, and losing money. After that, we had a better understanding about how to finance future operations, and a better understanding with the doctors. We did get some substantial help from the family foundation in connection with both Denver and Cleveland. It was very important to us.

Chall: Yes. Any business has to start out with some funds.

Trefethen: The health plan is self supporting in every way. The family foundation has helped the health plan from time to time in order that it could do more. If the family foundation had a program that we were interested in and we felt that it was in line with our own objectives and we were satisfied that we had the management to do it, we would do it. I think it's terribly important for the two organizations to work somewhat closely together, as closely as they can. That's one of our objectives.

The Board of Directors of the Kaiser Foundation Health Plan and Hospitals.

Chall: About the board of directors of the health plan and hospitals. It was really almost entirely, if not entirely, Kaiser industrial people until 1962 when Mr. Woods came in. But I understand he had been more or less closely attached to the Kaiser Industries before he came on the board. I hadn't realized that he had been placed on the Kaiser Family Foundation board.

Trefethen: He was the head of First Boston Corporation, and he was the one that I worked with in financing all of our operations: aluminum, steel, cement, Kaiser Industries. We became very, very close. And I think we figured out one day we had raised some two and a half billion dollars, which was a lot of money in those days.

Chall: Billion?



Kaiser Foundation Hospitals - Kaiser Foundation Health Plan Board Meeting, Oakland, 1968.





Trefethen: Billion. For our various outfits. He was about six or eight years older than Edgar and me. Although he was chairman of First Boston Corporation, he was phasing out. We talked about it, and we decided that he would be great if he would go on the board [of the foundation] and take over the chairmanship and run it.

By this time there were a lot of laws that had been passed about how you handle non-profit foundations like this, and you had to be more careful about what you did. He took it on, and engaged Bob Glaser, who was the president of it for ten years, until about a year and a half ago. He came onto the health plan board too. Dr. Alvin Tarlov replaced Dr. Glaser as president in 1984.

Chall: It wasn't until about 1967, actually, that people came from the outside of industry onto the board. Mostly they've been men, and mainly they were members of corporations. Mainly they are caucasian. A few of them are famous or household names, like Arthur Linkletter, or former Supreme Court Justice Goldberg, and in the Northwest, of course, Neil Goldschmidt. What was the criterion for moving beyond the Kaiser industry people?

Trefethen: There were people on the board in addition to our own industry people, but they really were our own people. George Link was on the board from the very beginning, and of course, he was our lawyer. A very fine person. He stayed on the board after his retirement from Thelen and Marrin.

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Trefethen: I think our criteria came in part to obtain people who represented, or were community leaders in the communities in which we were doing business. We did that in the main, and we got some very good board members as a result.

Art Linkletter, he was on there because he was a friend of Henry Kaiser. He wasn't on there for very long. He was a southern Californian, and we were heavy in southern California. But then he developed a conflict. He was promoting some kind of an insurance plan, so it was advisable that he get off the board. It was a developing conflict between what we were trying to do and what he was trying to do. He didn't realize it at that time. There wasn't any malice involved in it. It just developed that way.

Then Bill Grant, a lawyer from Denver, became a member of our board. He was both a wonderful person and most valuable trustee. Then from Hawaii we had Ralph Yamaguchi, who happened also to be a lawyer. But he too was a wonderful board member until he had to

Trefethen: retire. He was replaced by a lady who was very active in the community over there in Hawaii, known by many people, and a member of a number of boards. She has proven to be a very good board member.

Chall: That's Mrs. Jean Cornuelle?

Trefethen: Her husband is quite a guy over there, too. Then we had somebody from the Cleveland area. What was his name? Lee Howell. He also has retired. We had Charles Vanik, who was an attorney and a very able politician. We also had people in the health field. We have Nancy Hicks on there. She's quite a writer and a very active woman. She is the wife of the publisher of the Oakland Tribune, Bob Maynard. We never had any doctors on the board, as you know. We had a policy against that.

Chall: Let's see. You did have a Dr. Mitchell Spellman, who represents the Drew Medical School.

Trefethen: That's true. We didn't have any of our doctors on there.

Chall: Right. But you didn't have many doctors anyway.

Trefethen: He was famous and still is, and very active in medical circles--based at Harvard. He has been a marvelous board member.

Chall: I have the names of others, like Arthur Goldberg, the attorney and former Supreme Court justice.

Trefethen: Goldberg was a lifelong friend of all of ours and a very imaginative man, a very liberal minded man. He was on the board for quite a while and then retired. He was on because he was a public figure and we knew him, and we thought he would add something to what we were trying to do. And he did.

Chall: You say you had known him for many years. I guess that means you and the Kaisers. How did that come about?

Trefethen: He used to be an attorney for the United Steel Workers of America. We had been in negotiations with them, and ran into Arthur. He was the chief negotiator. We found him to be a very strong and a very fair person, and a very honest guy. So we asked him one day to go on the board, and he said, yes, and he was on for quite a while.

Chall: Yes, he was. Seven years, as a matter of fact. We talked about Dr. Spellman, and Ralph Yamaguchi. Of course, William Hewlett would have a management background.

- Trefethen: Well, we had known Bill for many, many years. He went on boards from time to time. He was on the Chrysler board. He was interested in the health program, so we invited him on. He was a board member for how many years?
- Chall: I don't have that. Sometimes your annual reports tell when people leave, but I haven't seen all the data.
- Trefethen: Quite a few years. I had dinner with him Friday night. Incidentally, he built a beautiful new place down in Portola Valley. Gorgeous. We all went down there and had dinner with him and had lots of fun.
- Chall: Quigg Newton.
- Trefethen: Quigg Newton was a friend of Bob Glaser's. They had quite a relationship, and he happened to be from Denver, too. He ended up working for the family foundation for a number of years. He had some roots in the health field. He was the head of the Commonwealth Fund.
- Chall: Yes, that's correct.
- Trefethen: He was there for a reason. I think we ended up with a kind of well-balanced board and a workable board. Because of the committee system that we operate under, all of them were put to work. Some were on the Audit Committee, and some were on the Facilities Committee, and some were on the Quality of Care Committee, and some on the Executive Committee. What else did we have, or do we have?
- But they all went to work. We got together and moved our board meetings from region to region so everybody could get acquainted with what was going on, and also get acquainted with the doctors. Then we adopted a practice of inviting the top people from each of our regions, the regional manager and the medical director to attend our board meetings and report on significant developments in their region. They all sit in on our board meetings; every board meeting.
- Occasionally we will have an executive session, but most everything that's discussed is discussed with them in the room. They do not have any vote, but we do hear reports from them at every board meeting. Each person, two from each area, speaks a moment, and they are able to answer questions of any of the board members about their respective areas, and about their problems. That's worked out extremely well, and has tended to cement the whole thing together.
- Chall: I think you told me the last time I was here that you have a social affair along with the board meeting so that you get acquainted with all of these persons, as well as their wives, in many cases.

- Trefethen: We do that. We do that particularly when we go to some other region. It's good for their morale, and very good for our trustees to see the type of people they are; how they act and react, and who their spouses are. You get a good feel about the whole thing as a result of getting together.
- Chall: We didn't talk about Mary Bunting.
- Trefethen: She was marvelous. She was the president of Radcliffe for many years. She was an educator, and a marvelous board member because she was very intelligent, kept very much up to date on the various health systems. She made a substantial contribution.
- Chall: She was highly qualified. But she was your first woman appointee, in 1969. Was she a token? Why was a woman picked at that time?
- Trefethen: A policy decision was made to include some qualified women. Henry Mead Kaiser is on our board.
- Chall: Yes, he is.
- Trefethen: He's the only Kaiser family representative on our board. He is on the Facilities Committee. He works at it and he does a good job.
- Chall: It looks as if you pick people carefully, that you're not just bringing on anybody from a region. That person has to have something to contribute to your board. Is that one of your criteria?
- Trefethen: Oh, yes. That's correct. We had one from the southwest, John Miller.
- Chall: Yes.
- Trefethen: He knows everybody and their brother in that area, and he's terribly important in helping the local people down there in the Texas region. He's a very successful merchandiser of goods. He understands the merchandising of a health plan. He's a businessman, a very successful businessman. He's a great plus.
- Chall: I suppose that there are two ways of looking at these people. One is that they can contribute a great deal to the board. The other is that because of their reputations, they enhance the reputation of the Kaiser Health Plan in their own communities, when as a rule, over the years, and still, it's not always accepted.
- Trefethen: Exactly. They do just that. Then also, from the Denver area, we have--
- Chall: Bruce Rockwell?

Trefethen: Bruce Rockwell. He was one of Colorado's leading bankers until he changed careers last year to become the head of Colorado's largest charitable foundation. He asks the hard financial questions.

Chall: That's important. There's always a problem in acceptance, even today, with the health plan. It's not considered just any HMO.

Trefethen: We take care of twenty-five percent of the people in this area now. I think that's the figure. That means one out of every four, so it's a tremendous factor in the area. It's a tremendous factor.

Chall: For many years (1960-1966) E.B. Dodds was a board member, listed as Owner's Representative. What did that mean? Who was Mr. Dodds?

Trefethen: In charge of facilities--all construction and reconstruction.

Chall: I presume that this board, like all boards, has to have a great deal of confidence in its executive directors. You call them presidents, previously Dr. Keene and Mr. Vohs, now. Is there some way that the board comes to understand the credibility of these executive directors, and can tell whether they're functioning properly or not?

Trefethen: Well, through this committee setup. And then we have a Conflict of Interest Committee. We have a Committee on Board Composition. We have a Committee on Compensation that has a responsibility to assess the top people in the organization.\* They in turn report back to the board their findings and their recommendations of salaries, and benefit changes, and so forth and so on.

I do think that in spite of the fact that we have a rather large board, they are kept very well informed about what is going on. They take a real interest in it, and have been very, very heavily involved in watching the quality of our health program. The committee on quality assurance is there to be sure that the proper attention is being given to that by our people, and also by the doctors.

I think our board is very well involved in the operation--without having day to day responsibility--but they know what's going on. They have an excellent opportunity to view the management, including the chief executive officer, as he is performing. They can well assess whether or not a man or a woman is doing the proper kind of job.

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\* Executive Compensation Committee

The Central Office

Chall: There has been some, I don't know if it's criticism, but a certain awe, I guess, in some quarters, as to how large the Central Office has grown in the last number of years. Do you have any feelings or attitudes about the Central Office, or growth in the bureaucracy, as some would call it? Bureaus, maybe. Put it that way.

Trefethen: Well, I think when you're expanding, you've got to have a central office that leads you and helps you with something that requires a lot of attention and a lot of training. You have to have a group that is capable of doing that. The financial structure has to be set up. All the procedures have to be set up. And you have research people, and so forth.

We have people who know the functioning of how you sell our health plan. We just fan those people out into an area. That's why we can take new areas on. Management is a very important part of this thing. Without good management, you just never would succeed. We've seen many of these HMOs start up and fail because they just didn't have the management structure or know how to do it.

Our success record in setting up these units has been very, very good. The reason for that, has been in large part because we have such a strong central group that can initiate all these things that have to be done. Plus the fact that when you are running anything this large, you've got to have a certain amount of research people that watch the trends in the industry and come up with new ideas and new innovative things that we could do or should do.

I think they're all busy.. I see them working, and they're all busy. They're on the road a lot. I've been in a number of our units, and I've seen the relationship, and how important it is. I've never heard anybody fussing about it. The board, to my knowledge, has never questioned the growth of the Central Office.

Chall: It's just part of the growth?

Trefethen: How did you pick that up?

Chall: I picked it up by reading. Mr. Scott Fleming has written a little history, and he devotes a few pages to the growth of the Central Office.\* I don't think he was critical of it, I think he was just

---

\*Fleming, "Evolution," 38-40.

Chall: explaining it. But I did talk to Dr. Cutting about it, because I would feel that from his vantage point he might have a different opinion. He looks at it somewhat differently, although he realizes the need for it, as you do.\* But you're a management person, and I thought I would like to ask you about it.

Trefethen: Take Scott Fleming for instance. He started up the legal and governmental relations staff. He's working on special projects now, and is still invaluable to us because of his thorough understanding of our organization and our history.

Chall: Well, there are always people on various sides of an issue, particularly in an organization, as you well know. You can't satisfy them all.

Trefethen: That's right.

#### Summary: Henry Kaiser's Vision

Chall: That's all I think I wanted to talk to you about. Do you have anything that you want to add?

Trefethen: No. I just might close by saying that I see a great future for our organization. Certainly the basics are solid and right. There's a huge need throughout the United States for more of this type of care. I think the trends are all that way.

I believe that our people have training programs that are training new management to go further within their own organization, or perhaps to form new areas. I think that this is terribly important, and I think additionally that this is exactly what Henry Kaiser wanted done.

He visualized all of this. He thought it could be a plan that would take over the United States health needs. He would go a lot further than any of us by saying that this is the one thing that will keep us from getting into socialized medicine, and it's the way to set up medicine so you get better quality care. You can spend the money on research, and you can get the best doctors, and you can get the best talents, and the best facilities. He would go on and on and on. He would be very happy.

Chall: It looks as if the dream has come through after a lot of hard work.

---

\*Cutting interview, Regional Oral History Office, 84-85.

Trefethen: That's right. A lot of hard work. Nobody profits from it because we're not-for-profit organizations. There are no owners, no shareholders. Of course, the people running it are well paid, and believe me, they earn every dime of salary. I think it's a very successful program. It will be, as Henry Kaiser said, the one accomplishment he'll be remembered for.

Chall: Yes, I think he will be remembered for it. Thank you very much for your time, and your willingness to stretch your memory back to long-ago details.

Trefethen; Well, good luck; and thank you very much.

Transcribers: Michele Anderson and David Pollock  
Final Typist: Michele Anderson



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## APPENDIX

OFFICE FOR EMERGENCY MANAGEMENT

## WAR MANPOWER COMMISSION

PROCUREMENT and ASSIGNMENT SERVICE for  
PHYSICIANS, DENTISTS, and VETERINARIANS

ENCLOSURE

Room 1435, 450 Sutter Street  
San Francisco 8, California  
November 9, 1943Mr. Murray Brookman, Chairman  
Northern California Area  
Production Urgency Committee  
Room 573, 1355 Market Street  
San Francisco, California

Dear Sir:

Enclosed is a statement of policy adopted by the Coordinating Committee of Procurement and Assignment Service on the matter of an addition to the Permanente Hospital in Oakland, California.

This statement reiterates the approval given by the Coordinating Committee of Procurement and Assignment Service on April 12, 1943, to this proposed construction. The reiteration of policy was adopted after a resurvey of the hospital bed situation in the Oakland - East Bay area by a representative of the United States Public Health Service. Also, representatives of the Alameda County Medical Association of of the East Bay Hospital Conference, representing nine non-profit hospitals in the East Bay area, had been accorded a complete hearing on their views by the Coordinating Committee.

For your information, the Coordinating Committee of Procurement and Assignment Service is a voluntary group made up at the suggestion of the Washington headquarters of Procurement and Assignment Service and composed at the present time of representatives of the American Red Cross, Office of Civilian Defense, California State Department of Public Health, United States Public Health Service, California State War Council, California Medical Association, California State Dental Association, medical and dental education and hospital superintendents.

Sincerely yours,

Harold A. Fletcher, M. D.  
California State Chairman for Physicians  
Procurement and Assignment Service

The Coordinating Committee of Procurement and Assignment Service on April 12, 1943, voted "that the Coordinating Committee of Procurement and Assignment Service go on record as favoring construction of a 166 bed addition to the Permanente Hospital, through the use of Lanham Act funds, such addition to be open to all physicians."

The Coordinating Committee of Procurement and Assignment Service has again considered the subject and appraised the medical needs.

The Coordinating Committee of Procurement and Assignment Service has considered the fact that there are empty beds in the Alameda County Hospital. These represent the normal elasticity, demanded by reasonable precaution.

The Coordinating Committee of Procurement and Assignment Service is aware that at the present time the Hospitals in the area are more than normally full; that patients are discharged from the hospitals after shorter residence than is customarily considered necessary.

The Coordinating Committee of Procurement and Assignment Service is aware that the present high population of hospitals, without any abnormal incidence of disease or emergency, leaves no provision for emergencies, such as epidemic or catastrophe, customarily considered advisable.

The Coordinating Committee of Procurement and Assignment Service on November 8, 1943, voted unanimously to reaffirm its action taken on April 12, 1943.

November 12, 1943

MR. MURRAY BROOKMAN, Chairman  
Northern California Area  
Production Urgency Committee  
Room 573, 1355 Market Street  
San Francisco, California

Dear Mr. Brookman:

Reference is made to the application of the undersigned to you of November 8th, for approval to construct an addition to the hospital of The Permanente Foundation at 280 MacArthur Boulevard West, Oakland, California.

It is our understanding that serious consideration has been given by your committee to certain data pertaining to the availability of approximately 200 vacant beds at the Highland Alameda County Hospital. We believe that the information that has been obtained concerning this matter has been incomplete and in an attempt to clarify and clearly define the facts, Dr. Sidney R. Garfield and the writer today visited Dr. Benjamin W. Black, Medical Director of Alameda County, and we would like to review our findings in order that your record will be both accurate and complete.

Dr. Black confirmed the fact that they have approximately 200 vacant beds and from the data we obtained and which we are outlining below, we believe that you will conclude that these beds are practically ineffective for the care of our employees and their families because it is a fact that of these 200 vacant beds, 26 are reserved for psychopathic cases and 46 are reserved for isolation contagious cases, leaving only 128 beds available for general medical and surgical care and then only under the following restrictions:

RESTRICTION NO. 1. Dr. Black was kind enough to give us quotations from the minutes of the County Institutions Commission under which the Highland Hospital operates, as follows:

Meeting held - March 3, 1943

Following discussion it was the consensus of opinion that the County Hospital would not open its doors for pay patients, but that it was important to stand ready to meet all emergencies in harmony with the present existing policies.

Meeting held - April 7, 1943

The Commission reiterated the firm position that it had taken and stated that the policy would continue wherein the County hospitals would not accept pay patients as such but as community

DR. MURRAY BROOKMAN  
November 12, 1943  
Page #2

institutions the County hospitals would be prepared to meet any emergencies where patients require hospital care and could not be accommodated in existing private facilities.

We understand that no action has been taken by the Commission other than that quoted above and it is, therefore, apparent that these vacant beds are ineffective except to temporarily care for emergency cases suffering from injury or serious illness, which cases would be transferred if possible or discharged as soon as possible, or upon recovery.

RESTRICTION NO. 2: Dr. Black has advised us that under the law governing the operations of the County hospital indigent patients that are not residents of Alameda County cannot be admitted. Of the 90,000 employees in the Richmond shipyards 69 percent live outside of Alameda County. It is interesting to note that the distribution of our employees is as follows:

Alameda County	28,000	31.10 %
Contra Costa County	38,000	42.20 %
San Francisco City		
and County	19,000	21.00 %
All Others	5,000	5.70 %
<b>TOTAL</b>	<b>90,000</b>	<b>100.00 %</b>

Therefore, it is to be noted that for the 72,000 employees living outside of Alameda County, plus their families - an estimated total of 250,000 people - these vacant beds at Highland Hospital are not available since the majority of these 250,000 people fall in the medically indigent group.

RESTRICTION NO. 3: Dr. Black advises us that under the County and State laws Alameda County indigents cannot be admitted to the County Hospital if they have not resided in the state for three years and in the county for one year. A large percentage of the 28,000 employees, plus their families, living in Alameda County would thus be excluded from care in the County Hospital.

RESTRICTION NO. 4: Dr. Black has stated that although the County Hospital is open to paying patients in cases of emergency only it is the policy of the County Hospital to discourage paying patients whenever possible.

RESTRICTION NO. 5: Dr. Black advises us that no doctor can bring a patient into the County Hospital and care for that patient unless he is a member of the voluntary staff which comprises approximately 110 doctors in this area. It is to be noted that there are approximately 400 doctors in this area.

RESTRICTION NO. 6: Dr. Black has stated that due to the fact that they are required by law to maintain beds for the indigent residents of Alameda County and that the law required residence in the state for three years and in the county for one year, that

MR. MURRAY BROCKMAN  
November 12, 1943  
Page #3

the vacancies existing in the Alameda County Hospital are practically ineffective to our employees and their families.

Dr. Black has stated that he is not opposed to our construction of the additional facilities and that he is not opposed to the work we are doing in this community, and he believes that our work has resulted in a saving to the county in that many of our members would be in the indigent class and become county charges.

Dr. Black has stated that he understands that the only opposition to the proposed addition to the Permanente Foundation Hospital arises from the fact that the Foundation is opening the proposed new facilities to the general public rather than limiting them to the employees of the Richmond Shipyards and the private hospitals in the area are opposed to our competing with them in caring for the general public. It is to be noted that the lease between The Permanente Foundation and F.W.A. requires that the new facilities be made available to the public generally.

Dr. Black has advised us that the reason that the above information was not previously transmitted to Washington or to your committee was due to the fact that he had not been asked these specific questions.

I have read this letter to Dr. Black and he has again confirmed to me the statements contained herein. I am sending him a copy of this letter and I would be happy if you would verify with him personally the facts and statements contained herei

Yours very truly,

THE PERMANENTE METALS CORPORATION

E. E. Truelshen, Jr.  
Vice President

EEF, JR.:EG



November 23, 1943

Bay Cities Metal Trades Council  
of the A. F. of L.  
339 - 13th Street  
San Francisco, California

Attention: Mr. A. F. Bartholemew, President

Gentlemen:

I am pleased to attach hereto copy of a letter being addressed today to Mr. Murray Brookman, Chairman of the Northern California Area Production Urgency Committee, pertaining to our application of November 8 for authorization to proceed with the construction of an addition to the hospital of The Permanente Foundation at Broadway and MacArthur Boulevard.

This project is being financed by the Federal Works Agency, and when completed will be leased to The Permanente Foundation for use by it in the care of the employees of the Richmond Shipyards, including their families, and, in addition, will be made available to all physicians in this area, as well as to the public at large. This lease has been fully executed, and the Federal Works Agency has been authorized to proceed by the President of the United States. The War Production Board in Washington has approved the project, and is ready to issue the necessary priorities, subject only to the approval of the Production Urgency Committee in San Francisco which, until now, has hesitated to give its approval.

At a recent meeting with your President, Mr. Bartholemew, the writer fully explained the project to him, and he has requested that we write you in confirmation. These facilities will be used to more efficiently and more adequately care for the employees of the Richmond Shipyards. In addition, these facilities will be used to care for the families of the employees of the Richmond Shipyards, and it is planned to make available to these workers a family plan. The details of this plan have not as yet been completely worked out, but will be based upon the same principles covering prepaid medicine which have been extended to the employees of the Richmond Shipyards.

We consider that the approval of this project is essential to the proper care of the employees of the Richmond Shipyards and their families - a group that totals approximately 250,000 men, women, and children. At the same time it will aid the war effort by increasing the available manpower in this community by materially reducing the lost time due to accidents and sickness.

Anything that your group can do to endorse the project with the Northern California Area Production Urgency Committee in San Francisco will help to

insure its approval.

Very truly yours,

THE PERMANENTE METALS CORPORATION

Vice President

E. E. Trefethen, Jr./s

CORPORATION

November 29, 1943

Mr. Murray Brookman, Chairman  
Northern California Area  
Production Urgency Committee  
Room 573, 1355 Market Street  
San Francisco, California

Dear Mr. Brookman:

On November 8, 1943, we submitted an application for authorization of an addition to the existing hospital facilities of The Permanente Foundation at Broadway and MacArthur Boulevard.

We are now advised that the Northern California Area Production Urgency Committee hesitates to approve this project by reason of a report that there are ample hospital beds available in this community to properly care for hospitalization requirements.

We wish to advise you that the facilities of The Permanente Foundation are taxed to the limit, and we have been unable to properly accommodate our employees requiring hospitalization.

This morning we received the following information from the Management of The Permanente Foundation:

1. There are eight patients in beds located in the hallways.
2. Seven incoming patients required hospitalization. Of these seven, three were accepted by the Berkeley General Hospital which filled that hospital to capacity. Among the other four cases were a pneumonia case and a cardiac case. Following are the results of an effort made to obtain hospitalization for these cases:
  - a. Peralta Hospital reported no vacant beds, and, in addition, had a waiting list of patients ahead of ours.
  - b. Martinez County Hospital reported that it cannot take pay-patients and cannot take emergency cases.
  - c. The following hospitals reported no beds available:

Merritt Hospital  
 East Oakland Hospital, Inc.  
 Concord Hospital  
 Walnut Creek Sanitarium  
 and Rest Home  
 Antioch Hospital  
 Martinez Community Hospital

The result is we now have twelve patients in the hallways.

3. The Berkeley General Hospital will not accept colored people; will not accept upper-respiratory cases; and will not accept short-time cases.
4. The Peralta Hospital and the Merritt Hospital will not accept any colored patients, and want no convalescent cases, such as patients recovering from fractures, etc.
5. Joe Adams, an employee of the Richmond Shipyards, residing in Vallejo, needed hospitalization. Our organization attempted to place him in a hospital in Napa, Vallejo, and Concord, and was unable to find a vacancy. As a result he was taken in an ambulance from Vallejo to Oakland and put in bed in a hallway, along with other patients.
6. This morning Mrs. McSwain, the wife of an employee of the Richmond Shipyards, (a private case) had an attack of acute appendicitis. She could not be placed in the Richmond General Hospital, Alta Bates Hospital, or Berkeley General Hospital. However, it was stated that if a deposit of \$50.00 could be made in advance, such an arrangement might be made. The employee was unable to raise \$50.00 until this afternoon, and, as a result, our hospital took the case in spite of the overtaxed condition.

The above is a report of a typical day at The Permanente Foundation, and indicates a substantial need for additional facilities to care for these people.

I am sure that all of the above stated facts can be verified through your own investigation.

Yours very truly yours,

THE PERMANENTE METALS CORPORATION

Vice President

E. E. Trafletton, Jr./c

December 8, 1943

MR. MURRAY BROOKMAN, Chairman  
Northern California Area  
Production Urgency Committee  
Room 573, 1355 Market Street  
San Francisco, California

Dear Mr. Brookman:

Reference your report requesting promoter withdraw application for Hospital.

Paragraph I. - The promoter referred to represents 70,000 participants in a Health Plan made possible by The Permanente Foundation to adequately take care of them and their families. Your committee re-affirms its opposition to a clinic and hospital which is capable of providing care on a prepaid basis for the families, representing approximately 250,000 people. In Paragraph I you assume that thirteen doctors of the Alameda Medical Society, without a vote of its members, are a more reliable guide than the United States Public Health Service, representing the Coordinating Committee of Procurement and Assignment Service, which is composed of The American Red Cross, Office of Civilian Defense, California State War Council, California Medical Association, California State Dental Association, Medical and Dental Education and Hospital Superintendents. The United States Public Health Service surveyed the hospital capacity on four different occasions, and it is our information that the thirteen doctors made no official poll, and their information was based upon a cursory, superficial survey of the occupancy of the hospitals in this area several months ago at midnight. I am attaching herewith a copy of a telegram from Dr. Morris Fishbein, Head of the American Medical Association, in which he states the Alameda County Society has taken no official action and that they favor the use of the Public Health Service, the State Medical Society and the Procurement and Assignment Service in determining the need. At conference today with the Chairman of the Council of the Alameda County Society they stated they represented only Alameda County, which is one-third of the people The Permanente Foundation serves. We haven't had access to the War Production Board's independent investigation to know whether it shows that we have been compelled to place beds in the hallways of our hospitals.

Paragraph II. - No proof is furnished that the hospital facilities of San Francisco County were taken into account, but on the contrary there is proof from the Coordinating Committee of Procurement and Assignment Service that representatives of the Medical Association in San Francisco, who are representatives of the hospitals of San Francisco, that they insist that additional beds be provided for the East Bay District.

Paragraph III. - The Permanente Foundation project provides 140 beds. You state that if all other hospitals were expanded it could be multiplied six times, or 463 beds. Evidently there is some error in this as the multiplication is clearly

MR. MURRAY BROOKMAN  
December 8, 1943  
Page #2

incorrect. In addition, no substantiation has been given that any hospital is taking steps to provide these additional beds now.

Paragraph IV. - This statement is hereby verified by us.

Paragraph V. - This is a misleading statement, since the project was cancelled in April of 1942 by the Federal Works Agency upon advice from the United States Public Health Service and has never been reinstated by the Berkeley Hospital.

Paragraph VI. - This is a misleading statement as the hospital is twenty three miles from Oakland, fifteen miles from Richmond and was specifically provided for the Mare Island area. No excess capacity is provided for overflow from Oakland.

Paragraph VII. - This is a misleading statement as the hospital is thirty-four miles from Oakland, twenty-six miles from Richmond, and was built to provide for an entirely different community. No excess capacity is provided for overflow from Oakland.

Paragraph VIII. - This is a misleading statement as we have been advised that these facilities were provided for the United States Army, Navy and Air Raid emergencies and are not available to the general public.

Paragraph IX. - This is a misleading statement, and we have obtained affidavits and are submitting same herewith to nullify this paragraph.

Paragraph X. - This is a misleading statement as these beds were set aside specifically by us for the City of Richmond to avoid necessity of the city building an emergency unit which would require expensive manpower to build and operate.

Paragraph XI. - It is seriously regretted that the sarcastic reference to pressure is necessary, and further regretted that pressure is needed to present evidence for the welfare of an entire community.

Paragraph XII. - This is a misleading reference to luxury facilities when it is readily observed that patients sleeping in the halls of The Permanente Foundation Hospital could hardly be called luxuries.

Apparently Mr. Wilson was unable to locate letters from Dr. Harold A. Fletcher of November 9th and November 29th. We do not know the reason for omitting these since Dr. Fletcher is head of the Coordinating Committee of Procurement and Assignment Service suggested by the Washington Headquarters of Procurement and Assignment Service, and composed of some ten different Health Services set up specifically to give reliable advice to the Government on medical care in the entire Bay Area and recognized by the American Medical Association.

You should know that this troublesome situation, both to you and to

MR. MURRAY BROOKMAN  
December 8, 1943  
Page #3

me, and this delay of thirty days involves only 50 to 130 men per day, depending upon the stage of construction, and our records at Vancouver, Washington, show that the lost time manhours saved as the result of this type of clinical and hospital care is 53%, which will return the manhours involved in the construction of this facility many times. It is simply impossible to understand your purpose in asking the withdrawal of a condition which would save manhours.

Yours very truly,

THE PERMANENTE METALS CORPORATION

Henry J. Kaiser  
President

HJK:EG  
Encl.

## WESTERN UNION TELEGRAM

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O  
P  
Y

WUP 74 94 WA NEWYORK NY DEC 7 1943 134P

HENRY J KAISER

OAKLAND CALIF

REPLYING TO YOUR INQUIRY DOCTOR WEST SECRETARY OF THE AMERICAN MEDICAL ASSN  
FOUND THAT NEITHER THE CALIFORNIA STATE MEDICAL ASSN NOR THE ALAMEDA COUNTY SOCIETY  
HAD TAKEN ANY OFFICIAL ACTION RELATIVE TO BUILDING YOUR HOSPITAL OR EXPANDING. NO  
OFFICIAL BODY OF THE AMERICAN MEDICAL ASSN. HAS TAKEN ACTION. THE WAR PARTICIPATION  
COMMITTEE OF THE AMERICAN MEDICAL ASSN HAS FAVORED EXPANSION OF EXISTING FACILITIES  
AND ALSO USE OF PUBLIC HEALTH SERVICE PHYSICIANS TO MEET SHORTAGES WHERE NEED CAN  
BE SHOWN AND WHERE THE STATE MEDICAL SOCIETY AND PROCUREMENT AND ASSIGNMENT SERVICE  
COOPERATE IN DETERMINING NEED.

MORRIS FLEMBEIN M D



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KAISTEEL WA334 12-10-43 114

HENRY J KAISER-OA

CC MRS ROUNTREE-WA

AS PER PHONE CONVERSATION CHECKED BOTH WITH C. E. WILSON,S OFFICE AND  
ADMIRAL VICKERY THIS MORNING FIRST THING REGARDING PERMANENTE  
FOUNDATION HOSPITAL.

C. E. WILSON IS ILL AND IN ALL PROBABILITY WILL NOT RETURN TO THE  
OFFICE THIS WEEK. I HAVE TALKED HOWEVER WITH COLONEL E. F. JEFFE,  
MR. WILSON,S EXECUTIVE ASSISTANT, WHO INFORMS ME THAT THEY HAVE THE  
COMPLETE FILE ON THE PERMANENTE FOUNDATION HOSPITAL AND THAT THEY  
ARE ONLY AWAITING MR. WILSON,S RETURN IN ORDER TO ACT. INASMUCH AS  
THE PERMANENTE ADDITION WAS REVIEWED AND DENIED BY THE AREA URGENCY  
COMMITTEE THE ONLY APPEAL POSSIBLE IS THROUGH THE PRODUCTION EXECUTIVE  
COMMITTEE OF WHICH MR. WILSON IS CHAIRMAN. THIS PRODUCTION  
EXECUTIVE COMMITTEE MEETS FOR THEIR REGULAR WEEKLY MEETING NEXT  
WEDNESDAY, DECEMBER 15TH, AND COLONEL JEFFE DOES NOT BELIEVE  
PARTICULARLY IN VIEW OF MR. WILSON,S ILLNESS THAT ANY ACTION WILL

BE TAKEN PRIOR TO THAT TIME. IF YOU SO DESIRE I WILL CHECK WITH MR. WILSON WEDNESDAY, DECEMBER 10TH AT THE CONCLUSION OF THE MEETING TO LEARN WHAT ACTION WILL BE TAKEN.

ADMIRAL VICKERY INFORMED ME THIS MORNING THAT HE HAD TALKED TO MR. WILSON ABOUT TEN DAYS AGO REFERENCE THE PERMANENTE FOUNDATION HOSPITAL AND UNDERSTOOD FROM HIM THAT MR. WILSON WAS HAVING THE MATTER INVESTIGATED. HOWEVER, ADMIRAL VICKERY HAS NOT SEEN MR. WILSON SINCE THAT TIME. HE BELIEVES HOWEVER, THAT MR. WILSON IS SYMPATHETIC FOR THE CAUSE BUT HONESTLY DOES NOT KNOW JUST WHAT ACTION WILL BE TAKEN. DUE TO OTHER PRESSING BUSINESS ADMIRAL VICKERY WILL BE UNABLE TO ATTEND THE FORTHCOMING MEETING OF THE PRODUCTION EXECUTIVE COMMITTEE TO BE HELD DECEMBER 15TH AND AT WHICH TIME THE PERMANENTE FOUNDATION QUESTION WILL BE CONSIDERED.

THERE IS NO DOUBT BUT WHAT ADMIRAL VICKERY REALIZES THE URGENCY OF THE ADDITION BUT HE SEEMS TO FEEL THAT C. E. WILSON IS DEFINITELY CAPABLE OF RENDERING A JUST DECISION.

JERRY SEALE

VW1209P

END OR CA.

# TELETYPE

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KAISTEEL 2-334 12-19-43 194

HENRY KAISER

OAKLAND

IN RESPONSE TO YOUR REQUEST OF THIS MORNING I SAW BAIRD SNYDER THIS AFTERNOON. ALSO I HAVE OBTAINED A COPY OF THE AGREEMENT WHICH YOU REQUESTED. I AM AIRMAILING THE COPY OF THE AGREEMENT TO YOU THIS AFTERNOON.

SYNDER WAS VERY DEFINITE IN HIS ATTITUDE TOWARD THE ROLL UPB AND THE URGENCY COMMITTEE IS TAKING IN THAT HE STANDS ON THE AGREEMENT TO WIT THE AREA URGENCY COMMITTEE HAS ABSOLUTELY NO BASIS FOR CHAXXX CHALLENGING THE ESSENTIALTY OF THE ADDITION TO THE PERMANENTE FOUNDATION HOSPITAL. HE FURTHER WAS MOST DEFINITE PARTICULARLY IN HIS DESIRES TO SEE THE PERMANENTE FOUNDATION ADDITION FINALLY AUTHORIZED AND CONSTRUCTION TO BEGIN. HE HAS ARGUED PROFUSELY WITH WILSON AMONG OTHERS, TO THE EFFECT THE THE REASON FOR WHICH THE ADDITION WAS DENIED WAS BASED UPON INCOMPETENT ADVICE TAINTED WITH SOCIALIZED MEDICINE. ALL IN ALL I WOULD SAY THEXXX THAT BAIRD SNYDER HAS BEEN AND WILL CONTINUE TO BE VERY SOLIDLY BEHIND THE PERMANENTE FOUNDATION ADDITION AND WILL AT EVERY OPPURTUNITY ARGUE AGAINST ANY OPPOSITION FROM ANY ONE.

JERRY SEALE

END TNX

OK END

Memorandum from Henry J. Kaiser, Jr.

7/20/55

1. The Kaiser Foundation Health Plan and Hospitals and the Permanente Medical Groups have grown to the point that today their activities encompass the following:

13 Hospitals  
30 Outpatient Medical Centers (clinics)  
500,000 Members  
500 Doctors

2. Because of this tremendous growth a study has been conducted over the past six months by the Foundation Trustees, the representatives of the Medical Groups and other executives of the various health organizations looking to strengthening the organizational structure and bringing about the most effective coordination of efforts to provide Health Plan members with the best possible health services at reasonable costs.

3. As result, an Advisory Council has been formed, comprised of key Trustees of the Health Plan, Directors of the Hospitals and representatives of the several Medical Groups to coordinate administrative and operational functions in the overall health program. This is a teamwork council. The members of this Advisory Council are the following:

Messrs. Henry J. Kaiser  
Edgar F. Kaiser  
E. E. Trefethen, Jr.  
George Link  
Doctors Sidney R. Garfield  
Clifford H. Keene

Doctors A. LaMont Baritell  
Morris F. Collen  
Cecil C. Cutting  
Raymond M. Kay  
J. Wallace Neighbor  
Ernest W. Saward  
Frederick H. Scharles  
Herman Weiner

4. Regional Management Teams, with representatives of the Medical Group, Health Plan and Hospitals, likewise have been formed in each of the regions in which the health program operates, namely for Northern California, Southern California and the Washington-Oregon region. The regional teams will serve as a coordinating or teamwork body for activities of the various health organization entities within a region, and will receive assistance from the overall Advisory Council.

5. The above strengthening of the organizational structure and delegation of teamwork responsibilities will permit Dr. Sidney R. Garfield to concentrate on further development, and will permit Dr. Clifford Keene to devote more time to assisting E. E. Trefethen, Jr., Chairman of the Advisory Group. Dr. Keene will move his office to the Kaiser Building to work directly with Mr. Trefethen.

6. These organizational developments, which will strengthen and coordinate the health program, represent an internal knitting together of responsibilities of a growing organization, and we have not felt that the establishment of the Advisory Council and Regional Teams called for the issuance of a press release. However, should you receive any inquiries from any members of the press, please refer them to me and tell them I will give them the information.

Clifford Keene Jr.

## **SPECIAL AWARDS EDITION**

### **COMMUNITY PHILANTHROPY AWARD PRESENTED**

The first Bay Area Alexis de Tocqueville Society Community Philanthropy Award has been presented by United Way of the Bay Area's Circle Club to Eugene E. Trefethen Jr., retired president of Kaiser Industries Corporation and proprietor of Trefethen Vineyards, Napa.

Since his graduation from the University of California in 1930, Eugene Trefethen has demonstrated exemplary and diversified community service for more than half a century. He has held leadership volunteer posts in a number of important organizations in the fields of education, art, the professions and human care.



*(Continued on page 14)* Eugene E. Trefethen Jr.

*(Continued from page 1)*

Trefethen's many contributions to community life have been recognized by a number of prestigious awards. For his "public service achievements" he received the prized Jefferson Award in 1981 and in the same year, he was honored by Legal Assistance to the Elderly "for distinguished leadership." Among Trefethen's numerous other awards are honorary doctorates from the University of Portland, Mills College and Golden Gate University.

The Alexis de Tocqueville Society Community Philanthropy Award presented to Eugene Trefethen is made of molded lead crystal, and depicts a fa-

mily, the "essential foundation of a strong, caring community."

The award was established by United Way "to recognize an individual whose financial contributions have made a singular impact on improving the well-being of the people in our community." The criteria of the award states that the recipient "must have been a member of the Circle Club for two consecutive years and, through his or her personal philanthropy, demonstrated a desire to improve the quality of life for the people in the Bay Area community." Members of the Circle Club contribute \$10,000 or more for support of the United Way human

care services which currently benefit more than two million Bay Area residents. In the past year membership the Club has risen to 97 contributors. This past year, the Club raised some \$1 million.

The Alexis de Tocqueville Society created by United Way of America recognize persons who have rendered outstanding community service. The society, named for a French reformer who, on a visit to America in the 1830's, was so impressed with this nation's voluntary spirit that he wrote the now-legendary "Democracy in America."



**ALUMNUS OF THE YEAR:** Eugene E. Trefethen Jr. '30, retired president of Kaiser Industries Corporation, has been named Alumnus of the Year for 1979. He will be honored at the traditional Charter Banquet on April 10 at the Hotel St. Francis in San Francisco. There will be a no-host reception in the Italian-Colonial Room at 6:30 p.m., with the banquet following at 7:30 in the Grand Ballroom. Advance tickets are required; for further information, call (415) 642-1573. The University's annual Charter Day will be celebrated during the day of April 10. The academic procession begins at 2 p.m., the program and ceremonies at 2:30. Principal speaker will be John Kenneth Galbraith, economist and author. Free tickets to Charter Day can be obtained after March 17 by writing to: Public Ceremonies, 326

## Trefethen is Alumnus of the Year

**E**ugene E. Trefethen Jr. first began working for Kaiser in 1926, when he took a job in a sand and gravel plant at Livermore to make money to go to school. His associations with Kaiser and the University, from which he graduated in 1930, both have proved to be life long since then. This year Trefethen has become the 37th recipient of the California Alumni Association's highest honor: he is the 1980 Alumnus of the Year.

After attending the Harvard School of Business Administration, Trefethen returned to the West and in 1931 was appointed administrative manager of a natural gas pipeline construction project in Montana. Soon after, he became executive assistant to Henry Kaiser, with whom he worked closely during the years of the construction of the Hoover Dam.

Trefethen's career with Kaiser has both paralleled and mirrored the growth of that company. In the words of Edgar Kaiser, chairman of the Kaiser companies, "Gene Trefethen played a key role, in association with Henry Kaiser, in the organization, financing, and management of the companies which formed the bulwark of the Kaiser organization. His talent for administration and finance has been one of the key factors in the development of the Kaiser companies, and he was largely responsible for the reorganization of the companies in the late 1950s, which resulted in the decentralized strength of the individual Kaiser entities."

Trefethen's first executive position was as vice president and director of the Industrial Equipment Company in 1934; that company was formed to sell the heavy equipment that the Kaiser company had acquired to build the Bay Bridge. In 1941, Trefethen became vice president of the Henry J. Kaiser Company.

*(Continued on page 6)*

Throughout the 1940s and 1950s, he held high executive positions with many Kaiser companies. In 1967, he was elected president of Kaiser Industries, a position he held until 1974, when he was made chairman of the board. Now retired from that position (Kaiser Industries is in the process of voluntary liquidation), he is an honorary director of Kaiser Aluminum, Kaiser Steel, and Kaiser Cement & Gypsum and is vice chairman of the boards of Kaiser Foundation Health Plan and Kaiser Foundation Hospitals.

A civic leader throughout his active life, he is president of the board of trustees of the UC Santa Cruz Foundation, and is a member of the boards of the San Francisco Museum of Modern Art, the Bay Area Council, Mills College, and the Berkeley School of Business Administration, and is an advisor to the Oakland Symphony. He is no stranger to honors. In 1968 he received the annual award of the University of Southern California School of Business Administration for outstanding achievement in business management, and in 1976 he was named Honorary Alumnus of the College of Engineering at the University. He also holds honorary degrees from the University of Portland, Mills College, and Golden Gate University.

Although his business offices are in Oakland and he lives in San Francisco with his wife Catherine, he says, "I still feel very close to Berkeley and completely at home there." And well he should. He has served on the board of trustees of the UC Berkeley Foundation for years, has been a member of its strategy committee, and served as president of the board for two years.

Most recently, he has been named chairman of the Chancellor's Circle, a new and select group of people who are



creating a fund to which the Berkeley chancellor has direct access during emergencies.

"Besides my work with the chancellor and the Foundation," he says, "I have constant contact with Berkeley people at work. There are many Berkeley people in the various Kaiser companies, and they help me stay in touch with the school too. They also are some of our most important people."

Life has been somewhat different for Trefethen since 1968, when he purchased a vineyard (actually ten contiguous pieces of property, now combined) in the Napa Valley. Working closely with specialists from UC Davis, Trefethen saw to the complete replanting of varietals on the land; he also set up his new vineyard for mechanical harvesting.

Not surprisingly, in 1973 he started a winery in the Napa Valley, using a refurbished facility dating from 1886. The winery uses about one-fourth of the grapes his vineyard produces—good grapes, it

seems, as the winery is already producing premium wines. In 1979, the 1976 Trefethen Chardonnay won first prize—competing with Europe's finest—at a Gault-Millau tasting in Paris. According to *Time* magazine, "Since the family-owned winery distributes only 15,000 to 20,000 cases a year of all its wines, the laureate Chardonnay is as scarce as truffles in the parking lot."

His son lives on his Napa property, where Trefethen, now 70, spends his weekends. What he has learned from his latest enterprise: "It's hard to make a bad wine of good grapes, and it's almost impossible to make a good wine out of bad grapes."

It is impossible to make an Alumnus of the Year out of anything but a loyal alumnus. May there be good wine at the table when Trefethen is saluted at the Charter Day Banquet at the Hotel St. Francis the evening of April 10, the University's 112th Charter Day. A toast to Eugene E. Trefethen Jr.

—Timothy Pfaff



Kaiser Industries Corporation

EUGENE E. TREFETHEN, JR.

BIOGRAPHY

Eugene E. Trefethen, Jr., retired president of Kaiser Industries Corporation, is a director of Kaiser Aluminum & Chemical Corporation, Kaiser Steel Corporation, and Kaiser Cement & Gypsum Corporation. He is also a director and vice chairman of the boards of Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals and a director of the Clorox Company.

Trefethen's career has paralleled the Kaiser organization's growth from a fledgling construction company into a worldwide mining and industrial complex.

Edgar Kaiser, chairman of the Kaiser companies, and Trefethen's lifelong friend, describes his contribution as follows:

"Gene Trefethen played a key role, in association with Henry Kaiser, in the organization, financing and management of the companies which formed the bulwark of the Kaiser organization. His talent for administration and finance has been one of the key factors in the development of the Kaiser companies, and he was largely responsible for the reorganization of the companies in the late 1950's which resulted in the decentralized strength of the individual Kaiser entities."

Trefethen began working for Kaiser in 1926 as a sand and gravel plant laborer at Livermore, California, during school vacations.

After graduation from the University of California, Berkeley, in 1930, he attended Harvard School of Business Administration.

In 1931 he was appointed administrative manager of a natural gas pipeline construction project in Montana.

Subsequently, he became an executive assistant to Henry Kaiser and worked and traveled with him during the years when Hoover Dam was being constructed on the Colorado River.

Trefethen's first executive position was vice president and director of the Industrial Equipment Company in 1934, which was formed to sell all the heavy equipment that the Kaiser company had acquired to build the foundation for the San Francisco Oakland Bay Bridge, one of the world's longest bridges.

A few months later, Trefethen was named general sales manager of the sand and gravel division of the Kaiser Paving Company. He was given additional responsibilities in 1936 as secretary of the Henry J. Kaiser Company which was engaged in heavy construction projects, including the Bonneville and Grand Coulee dams on the Columbia River.

Trefethen was closely associated with the start of the industrial era of the Kaiser organization in 1939, when he was elected a director of Permanente Corporation (now Kaiser Cement & Gypsum Corporation). He became vice president a year later when a cement plant was established to supply cement for construction of Shasta Dam.

In 1941, Trefethen became vice president of the Henry J. Kaiser Company and played important roles as it also entered the steel, shipbuilding and magnesium industries.

After World War II, the Kaiser organization went into production of automobile aluminum and homes. Trefethen became a vice president of each of these companies.

In the years 1947 and 1948, Trefethen was appointed executive vice president of Kaiser Aluminum, Kaiser Steel, Kaiser Cement and Kaiser Gypsum, and president of Kaiser Metal Products, which produced kitchen cabinets, sinks and dishwashers.

When the Kaiser enterprises were reorganized in 1956 with the establishment of Kaiser Industries Corporation as the parent company, Trefethen was elected executive vice president. In addition to his new duties, he continued to serve as executive vice president of Kaiser Aluminum, Kaiser Steel, and Kaiser Cement & Gypsum until 1957 when he was elected vice chairman of the boards of those three companies.

In 1967, Trefethen was elected president of Kaiser Industries and in 1968, vice chairman of the boards of Kaiser Foundation Health Plan and Kaiser Foundation Hospitals. He remained president of Kaiser Industries until January, 1974, when he was elected vice chairman of the board. He retired from that office on July 31, 1974. Kaiser Industries currently is in the process of voluntary liquidation. Trefethen continues as a director of Kaiser Aluminum, Kaiser Steel, and Kaiser Cement & Gypsum and as vice chairman of the boards of Kaiser Foundation Health Plan and Kaiser Foundation Hospitals.

Trefethen was a key figure in many diversification projects of the Kaiser companies in the sixties. As treasurer and later executive vice president of Kaiser Burns Development Company, he helped Henry Kaiser build the Hawaiian Village resort and entertainment complex in Waikiki, Honolulu. He became vice chairman of Kaiser Aerospace & Electronics Corporation in 1963; president of Kaiser Broadcasting in 1967; and a director of companies operating in Ghana, Australia and Canada.

Trefethen's civic activities include: trustee and past president, University of California, Berkeley Foundation; president, San Francisco Museum of Modern Art; vice chairman, board of trustees, The University of California, Santa Cruz Foundation; member of the executive committee and past chairman, (San Francisco) Bay Area Council; and lifetime member and past president, board of trustees, Mills College in Oakland. He is a member of The Pacific-Union Club.

In 1968, Trefethen received the annual award of the University of Southern California School of Business Administration for outstanding achievement in business management. In 1976 he was named Honorary Alumnus of the College of Engineering, University of California, Berkeley. He holds honorary doctorate degrees from the University of Portland, Mills College, and Golden Gate University.

Trefethen was born in Oakland on July 27, 1909. He married Catherine Morgan in 1937. They have a married son, John Vance, a married daughter, Mrs. Carla Jean Saunders, and two grandchildren. The Trefethens reside in San Francisco.



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\* Unless otherwise specified all place names are California.  
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Malca Chall

Graduated from Reed College in 1942 with a B.A. degree, and from the State University of Iowa in 1943 with an M.A. degree in Political Science.

Wage Rate Analyst with the Twelfth Regional War Labor Board, 1943-1945, specializing in agriculture and services. Research and writing in the New York public relations firm of Edward L. Bernays, 1946-1947, and research and statistics for the Oakland Area Community Chest and Council of Social Agencies 1948-1951.

Active in community affairs as a director and past president of the League of Women Voters of the Hayward Area specializing in state and local government; on county-wide committees in the field of mental health; on election campaign committees for school tax and bond measures, and candidates for school board and state legislature.

Employed in 1967 by the Regional Oral History Office interviewing in fields of agriculture and water resources. Project director, Suffragists Project, California Women Political Leaders Project, and Land-Use Planning Project.









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